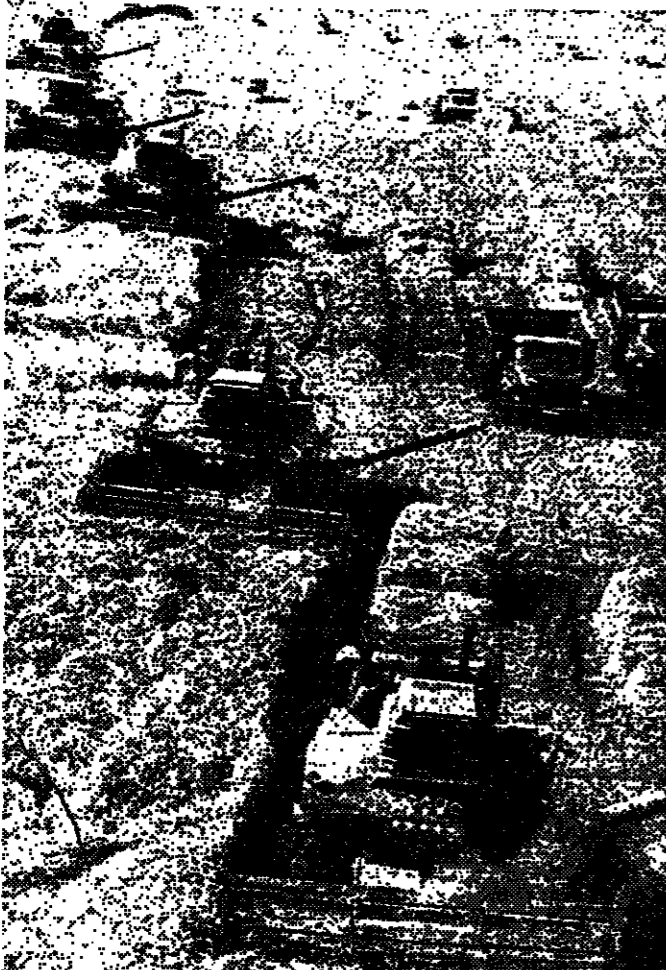


EUROPEAN NEWS

Gorbachev challenges a collective bureaucracy

Quentin Peel reports on moves to reform Soviet agriculture by leasing the land back to the people



The days of collective farms such as this one in Bashkir may be numbered if land reforms are successful

TWO things are baffling about the plenary meeting of the Soviet Communist Party central committee which opens in Moscow today. One is why the plenum is being held at all. The other is what game Mr Yegor Ligachev, the man the reformers love to hate, is playing. To be sure, the 400-plus members of the ruling body of Soviet society are going to discuss agriculture, the single greatest disaster area in their economy. The meeting has been promised for months and interminable analyses of the reasons for the plight of Soviet food production have been published in learned and less learned periodicals. They have blamed the widespread shortages on everything from the huge creaking bureaucracy which controls the structure, to the alienation of the peasant from his land, including on the way the failure of 70 years of Soviet power to pay enough money or attention to the countryside. Lack of investment in food processing, lack of storage and adequate health clinics, provide running water, electricity and telephones to the villages, to reverse decades of disastrous population drain. An investment drive in food processing is already under way, with equipment for the sector a top priority for precious foreign currency being spent on imports - and even the defence industry co-opted to help. Not only that, but the policy

response is already effectively decided. Leasehold reform is the name of the game, or making the peasant the master of his own land - plus a new drive to invest in the countryside and in food processing. Mr Mikhail Gorbachev, the man who came into the Politburo as the expert on agriculture, has thrown his full weight behind the idea of leasehold tenure. It is nothing less than an attempt to give the peasants back the land that was forcibly removed from them in Stalin's brutal collectivisation drive of the 1930s, when literally millions starved to death. On the other hand, it stops short of full property rights. Ideology dictates that leases are granted only within the framework of the massive collective farms. Then there will be a huge effort to revive the social economy of the countryside: to build decent roads, schools and health clinics, provide running water, electricity and telephones to the villages, to reverse decades of disastrous population drain. An investment drive in food processing is already under way, with equipment for the sector a top priority for precious foreign currency being spent on imports - and even the defence industry co-opted to help. All of this would suggest

that the principal decisions have been taken and that the central committee is being summoned simply to applaud them. The truth is more complex. In spite of a nationwide campaign to promote the new property relations, progress is painfully slow. There have been a string of modest changes introduced as major policy initiatives - wider use of private plots, encouraging workers to team up in brigades, co-operative farms and all sorts of leasehold contracts, ranging from five years to 50 - resulting in more confusion than production. At its heart, however, there is a crucial ideological question. If Mr Gorbachev is really serious about changing property relations on the land, then the logic of his policy must threaten the long-term future of the collective farm - the foundation of Soviet socialist agriculture. If all the farm workers are encouraged to take leases, then the collective will be left as little more than a glorified agricultural extension service. It is an ideological question that goes to the heart of the perestroika process. Major spokesmen for reform, like Mr Vadim Medvedev, the ideology chief in the Politburo, and Dr Leonid Abalkin, head of the Institute of Economics, have singled out the question of redefining property relations as the most important. Then last week, when the Kremlin should have been sorting out the final guidelines, Mr Ligachev suddenly disappeared on a farming trip to Czechoslovakia, that comfortable bastion of conservative Communism. On his return, he praised the Czech devotion to the collective farm concept. As one wry observer paraphrased him, he might just have said: "I have seen the past, and it works." It is almost as if his second most powerful man in the party has abdicated his role in the great debate, in order to argue at some date in the future: "I was not there." The question now is just how far Mr Gorbachev will push the plenum. Will the meeting come out with a ringing endorsement of new property relations, or will the emphasis be put instead on the safe old policy of promising more money and more resources? Even the most enlightened farm managers and party bureaucrats instinctively believe that the answer to their

Papandreou expels party rebel MPs

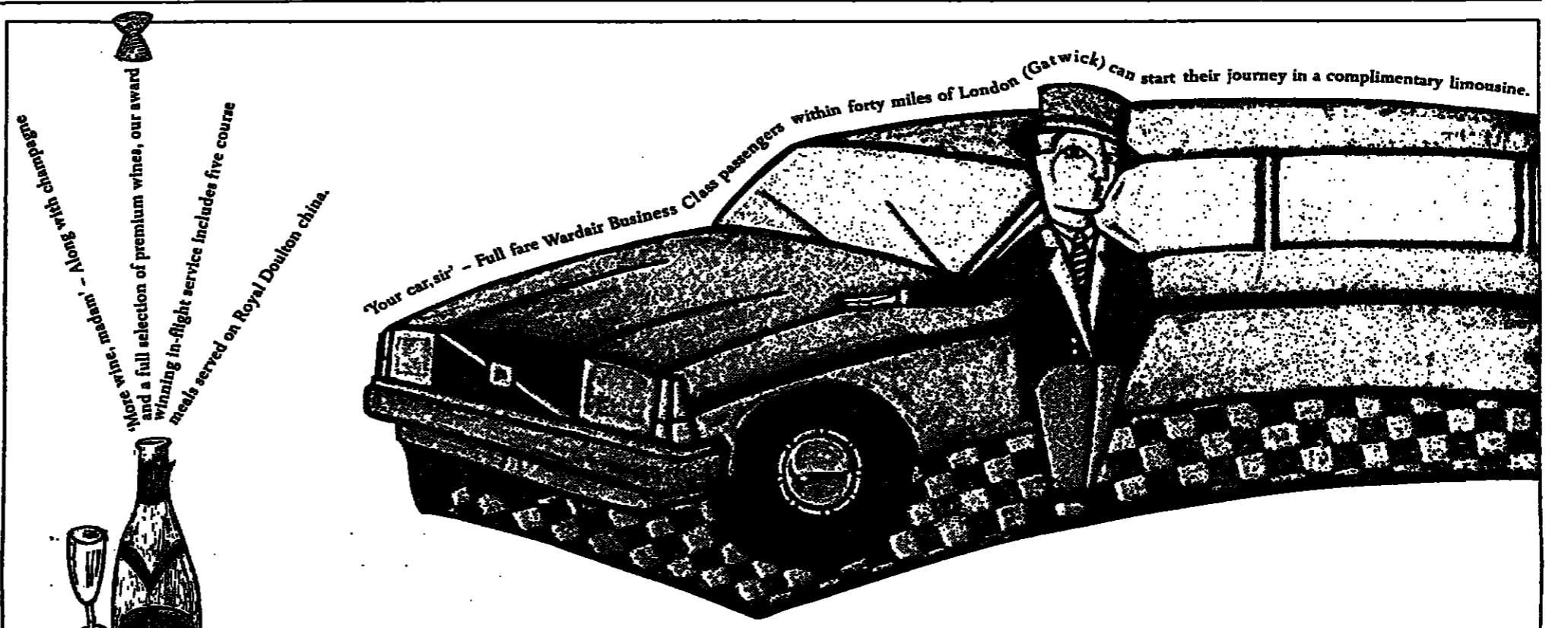
By Andriana Ierodiakonou in Athens

THREE GREEK members of parliament were summarily expelled from the Socialist Party (Pasok) yesterday by Mr Andreas Papandreou, the Prime Minister, for failing to support the Socialist Government during a censure debate on Monday night. The censure motion, tabled by the Conservative opposition, was defeated by 155 votes to 123 with 22 abstentions. Among those abstaining were three prominent Deputies: Mr George Alexandros Mangakias, a former Justice Minister; Mr Antonis Trisitis, a former Education Minister; and Mrs Roula Kalkiamanski, a former Deputy Education Minister. The Conservatives tabled their censure motion following an article in Time magazine in which Mr George Koskotas, the former banker and press baron now in custody in the US, alleged that millions of dollars of misappropriated funds had been channelled to senior Socialist officials. Mr Papandreou said immediately after Monday night's vote that the three deputies had "set themselves outside the party", standard Socialist jargon for expulsion. The Prime Minister used the censure debate to warn the US that there would be "painful consequences" before next June's Greek general election if a government request for the extradition of Mr Koskotas were not met. The former head of the Bank of Crete fled to the US after being charged with fraud in Greece last October, in a scandal implicating the Socialist Government. However, yesterday's warning by the Prime Minister rang rather hollow given that a final decision on extradition is unlikely to be reached before June. Mr Papandreou also rejected a statement issued last week-end by Washington denying Greek claims that Mr Koskotas and members of his family were Central Intelligence Agency operatives. The Prime Minister had accused the US a few days earlier of plotting with the Greek political right to bring about the Socialist's downfall.

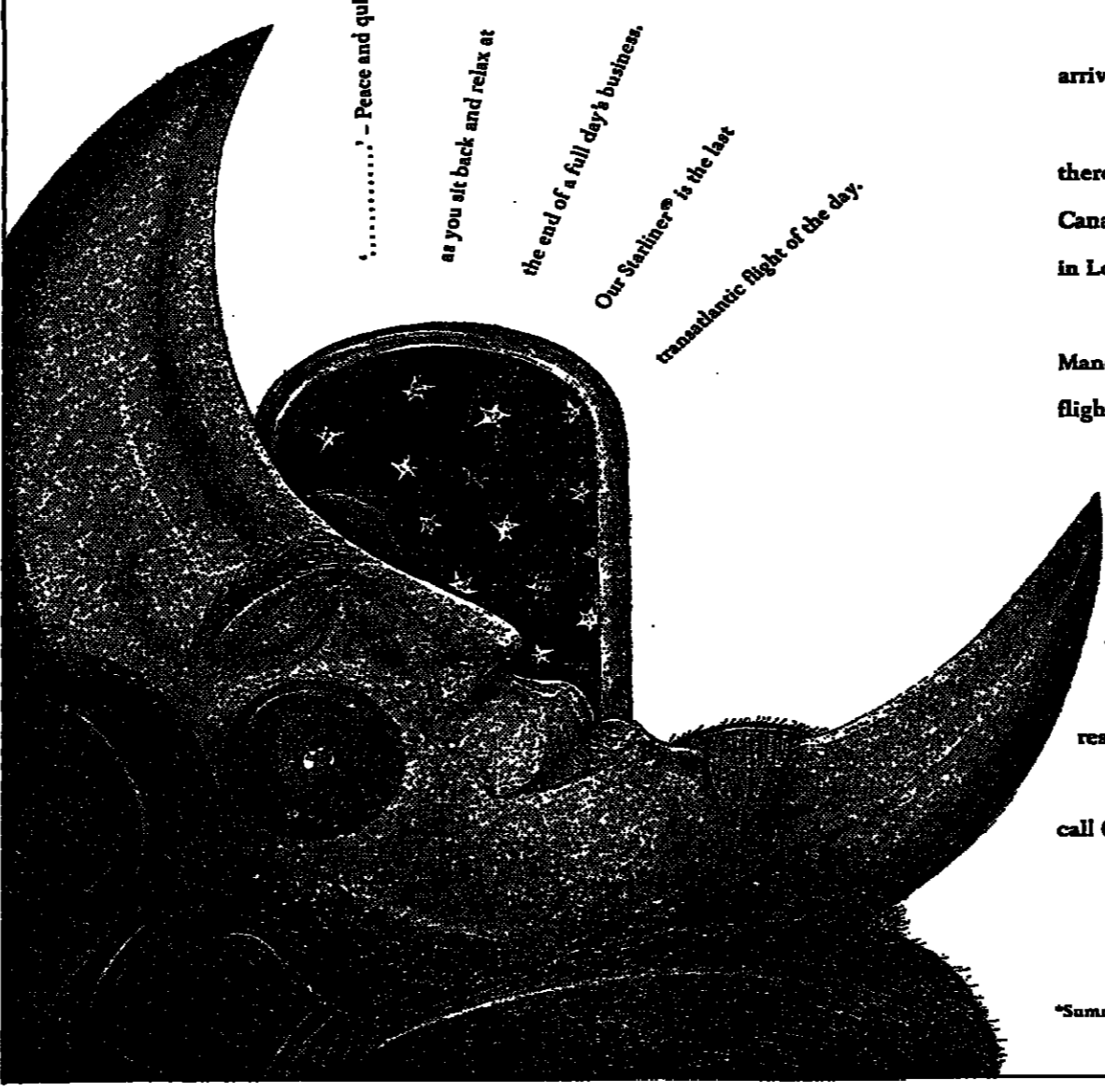
Government threatens split striking Kosovo miners

By Judy Dempsey in Ljubljana

THE THREAT of imprisonment and the lack of any financial assistance is leading to divisions among striking ethnic Albanian miners in Yugoslavia's southern province of Kosovo over whether they should return to work. The compulsory work orders, issued last week and which are now being served to all miners, carry a 60-day prison sentence and heavy fines. The province has been under a partial state of emergency for the past two weeks following strikes by miners who demanded the reinstatement of the Kosovo party leadership which had been ousted last November by Mr Slobodan Milosevic, Serbia's powerful party leader. The eight-day strike forced Mr Rahman Morina, the pro-Milosevic senior party official, and two others to resign. Their resignations, however, were rejected outright by the Serbian leadership which is intent on exercising more direct control over the province through constitutional changes. But in what appears to be an increasingly complicated picture, some miners, fearing the threat of imprisonment and no income, are willing to return to work. In addition, the authorities have indicated that losses incurred from strikes will receive no compensation. It is understood the miners are being offered a 20 per cent pay increase. However, despite the threat of arrests, other miners seem prepared to hold out in order to exert pressure on the Kosovo assembly which is scheduled to meet on March 24 to discuss the constitutional changes.



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Tanzania se
better deal
from IMF

WHAT A WONDERFUL WORLD

I see trees of green,
red roses too,
I see them bloom for me and you,
and I think to myself
what a wonderful world.

I see skies of blue and clouds of white,
the bright blessed day, the dark sacred night,
and I think to myself
what a wonderful world.

The colors of the rainbow,
so pretty in the sky
are also on the faces of people going by,
I see friends shakin' hands,
sayin' "How do you do!"
they're really sayin' "I love you,"
I hear babies cry,
I watch them grow
they'll learn much more than I'll ever know
and I think to myself
what a wonderful world.
yes, I think to myself
what a wonderful world.

Vauxhall are now supplying every single one of their cars and Bedford vans ready converted to run on unleaded petrol.

(Furthermore, they'll still run equally well on ordinary petrol. Or any combination of the two.)

At present we are the only manufacturer in the U.K. to have taken this step.

If you already have a Vauxhall, built since August '85,

that too can be quickly and easily converted to run on unleaded petrol, totally free of charge.

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AMERICAN NEWS

Patchy support for general strike in Brazil

BRAZIL'S 48-hour general strike in protest at government pay policy got off to a patchy start yesterday...

adhering to instructions from the two major union confederations not to provoke the authorities.

linked pay rises were halted as part of measures aimed at staunching an inflation rate of more than 30 per cent per month.

However, neither union has ruled out further talks with the Government on pay.

US proposals on voluntary debt cuts worry bankers

BANKERS involved in international debt negotiations say they are worried about several aspects of the new US proposals...

Bankers say that the focus in the proposals outlined on Friday by Mr Nicholas Brady, the US Treasury Secretary...

Mr Brady called for debt reduction to go hand-in-hand with new lending - he was not more specific but bankers have written down old loans which will deter new lending.

Caracas bans job dismissals

The Venezuelan Cabinet has decreed a 120-day ban on the sacking of full-time employees a day after it announced a major devaluation of the bolivar currency.

At the same time, administration officials have been obliged to issue a renewed call for calm after rumours of fresh looting in Caracas on Monday.

Brazilian party set to back Guimaraes

MR Ulysses Guimaraes, the veteran leader of Brazil's dominant political party - the Brazilian Democratic Movement (PMDB) - looks almost certain to win nomination as its presidential candidate in elections due in November.

But deep schisms within the party and its close association with the unpopular government of President Jose Sarney are also set to boost the chances of parties on the left.

THE International Brotherhood of Teamsters, the largest US union, has agreed to elect an executive director to avert a long trial on charges of corruption and racketeering.

UN plans patrols in Central America

UN peacekeepers would patrol Central American border areas in speedboats, helicopters and all-terrain vehicles in search of guerrilla infiltration under a plan diplomats began considering yesterday.

President George Bush's Administration is seeking more than \$50m to keep the Nicaraguan Contra rebels active up to February 1990, even as the Central Americans are drafting plans to disband the rebel bases in Honduras.

Teamsters union agrees to reforms to avert trial

Charges were filed against the 17m-member union last June by Mr Rudolph Giuliani, then US Attorney for the southern district of New York.

Mr William McCarthy, the union president, and 17 other senior officials will remain in office, whereas the Government had sought to remove them.

Bush faces fight over minimum wage

PRESIDENT Bush, fresh from his defeat last week over the lowest climb, faces a head-on battle with the Democratic-controlled Congress over rival plans for raising the minimum wage.

Both the Senate and the House of Representatives are in the process of approving virtually identical bills to raise the minimum wage by 25c an hour to \$4.65 (23.7p) by three annual stages up to 1991.

Democratic leaders have hinted at possible compromise over the training wage. Senator Edward Kennedy, chairman of the Senate Labour Committee, is opposed to the new training wage as proposed by the Administration because it has no provision for real training.

US building groups hit at Japanese 'barriers'

US construction companies spent \$10m (£25.5m) last year to gain a foothold in the Japanese market, but that, and a US-Japan agreement signed last May to help Americans win contracts, has netted only \$30m in business so far.

In testimony to the US Trade Representative this week, the council said Japan still had many formidable barriers to US exports to the US.

A decision by the Bush Administration is due on November 20. Section 301 is a list of countries deemed to require priority action on 'unfair' trade issues.

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Lord Young soothes US fears over Fortress Europe

IT USED to be Japan but Europe has become the fashionable concern of politicians in Washington.

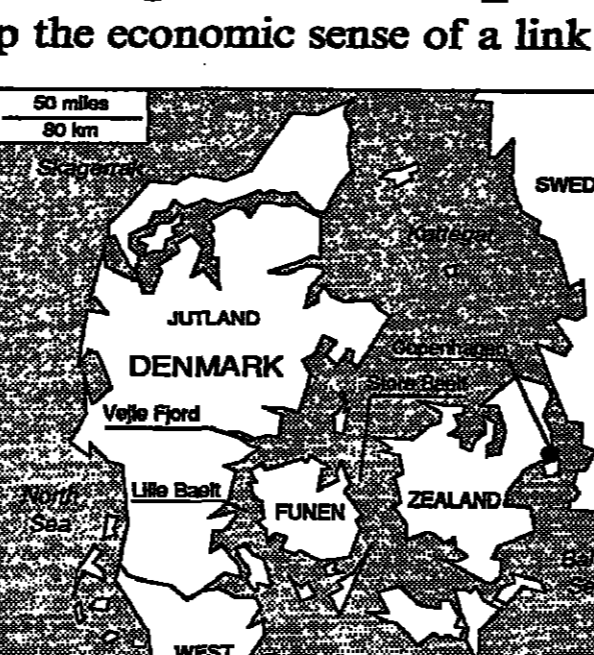
large protectionist bloc. This potential resentment about Europe has become linked with renewed calls to reduce US troop numbers.

Koreans and Taiwanese in US oil, gas venture

PHILLIPS Petroleum, the US oil company, is putting the finishing touches to a joint venture agreement with two companies, one Korean and one Taiwanese, for oil and gas exploration in the US.

Denmark builds bridges over political differences

Xueling Lin in Copenhagen sums up the economic sense of a link to boost trade and save time



Two sections will meet in the middle of the Storebaelt on a small natural island, Spjogoe. Material from the compensation dredging will be used to extend the island and create embankments.

problem of financing the link by allowing the Great Belt Fixed Link to take loans in Denmark and abroad. Previously all major Danish transport construction works have been financed by the Danish budget.

Ireland to fund Japanese school

THE Irish Government has opened a new front in the battle to attract Japanese investment by subsidising a Japanese school near Dublin.

Bush faces fight over minimum wage

By Peter Hall, U.S. ...

Koreans & Taiwanese U.S. oil, gas venture

By David Butler

Iceland to Japanese



Six months free unleaded petrol for all new deliveries.

At Volkswagen, we don't just care about the performance of our cars. We're concerned about how our offspring get from nought to sixty, too. That's why we're giving away £235 worth of unleaded petrol* with every new Golf or Jetta (except for the 16 valves*) registered and delivered in

the month of March.

It should keep your new baby toddling along for the first 5,000 miles of its life, or about six months.

Extracting neither brass from your pocket nor lead from your exhaust.

In fact, all Volkswagens, with the temporary exception of the 16-valve

engines, can now be equipped to run on unleaded petrol.

Because, as far as we're concerned, there's only one sound as appealing as the contented gurgle of a newborn bundle.

The happy burble of a lead-free exhaust. **Golf and Jetta**



*RENTAL COMPANIES EXCEPTED. (WE'RE WORKING HARD TO GET THE 16-VALVES TO RUN ON UNLEADED PETROL TOO. IN THE MEANTIME, WE'RE OFFERING A FREE REMOTE-CONTROL SECURITY SYSTEM WITH EVERY NEW 16-VALVE GOLF OR JETTA REGISTERED AND DELIVERED IN MARCH. FOR PRICES AND BROCHURES CONTACT VOLKSWAGEN INFORMATION SERVICE (889), YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TEL: (0908) 601611. FLEET SALES: (0908) 211616. EXPORT SALES 01-486 8411

Handwritten notes and numbers in the bottom right corner.

1 EFFICIENCY
EARLY PETROL ENGINES USED OVER TWICE AS MUCH FUEL PER HORSEPOWER AS MUCH MORE EFFICIENTLY DESIGNED MODERN ENGINES. INCREASED FUEL EFFICIENCY CAME FROM IMPROVED ALLOWING HIGHER TEMPERATURES & PRESSURES INSIDE THE CYLINDERS.

2 DETONATION
BY THE 1920s, THE MORE EXTREME CONDITIONS INSIDE THE CYLINDERS WERE CAUSING SOME OF THE LESS STABLE INGREDIENTS IN THE PETROL TO DETONATE (INSTEAD OF BURNING EVENLY) AND TO DAMAGE THE ENGINES.

3 OCTANE
TO PREVENT THIS, THE OCTANE OF THE PETROL HAD TO BE RAISED. OCTANE IS ACTUALLY MEASURED BY DETONATION OR ENGINE KNOCK - THE HIGHER THE OCTANE OF THE PETROL, THE MORE EXTREME THE CONDITIONS CAN BE BEFORE KNOCK OCCURS.

4 LEAD
LEAD TETRAPHYL, FIRST ADDED TO PETROL IN THE 1920s, RAISED THE OCTANE BY EFFECTIVELY 'STOPPING UP' SOME OF THE UNSTABLE INGREDIENTS. UNTIL THE 60s NO PETROL WAS REFINED HIGHER THAN ABOUT 92 OCTANE - THE HIGHER OCTANES WERE ALL PRODUCED BY EXTRA LEAD. BY JANUARY 86 LEVELS OF LEAD IN PETROL WERE REDUCED BY TWO-THIRDS.

5 NO LEAD
THE OTHER METHOD OF RAISING THE OCTANE IS TO REFINO OUT MORE OF THE UNSTABLE INGREDIENTS, SLIGHTLY REDUCING THE AMOUNT OF PETROL CREATED FROM EACH BARREL OF CRUDE OIL (AND HENCE INCREASING THE COST).

6 ADJUSTMENT
IN ENGINES ORIGINALLY DESIGNED FOR LEADED PETROL, THE EXTREME TEMPERATURES & PRESSURES IN THE CYLINDERS DO HAVE TO BE REDUCED A BIT TO COMPLETELY ELIMINATE 'KNOCKING' WITH UNLEADED PETROL. THIS ADJUSTMENT (RETARDING THE IGNITION) IS ALL THAT IS NEEDED TO CONVERT MOST CARS TO UNLEADED PETROL.

7 EXHAUST GASES
A BIG ADVANTAGE OF UNLEADED PETROL IS THAT IT ALLOWS 'CATALYTIC CONVERTERS' TO BE FITTED TO REMOVE OTHER EXHAUST GASES. (THE CATALYSTS WOULD OTHERWISE BE NEUTRALISED BY THE LEAD.)

ESSEO
Unleaded

ALTHOUGH THE ADJUSTMENT IN THEORY REDUCES THE ENGINE'S EFFICIENCY BY 1-2 PERCENT, IN PRACTICE IT DOES NOT NOTICEABLY IMPAIR PERFORMANCE.

Will life go more smoothly with unleaded petrol?

We live on a vulnerable planet. We must learn how to care for it.

During the next few weeks, many people in Britain will see the Esso Unleaded Airship taking to the air.

It is our way of drawing the motorist's attention to the environmental benefits of unleaded petrol.

Three years ago, Esso was the first oil company in Britain to provide unleaded petrol at service stations.

LEGISLATION
IN BRITAIN, ABOUT 65% OF ALL CARS SOLD SINCE 1985 CAN NOW RUN ON UNLEADED PETROL. FROM OCTOBER 1990 ALL NEW CARS WILL BE ABLE TO RUN ON IT. TO ENCOURAGE ITS INTRODUCTION THE GOVERNMENT LEVIES A LOWER TAX ON UNLEADED PETROL.

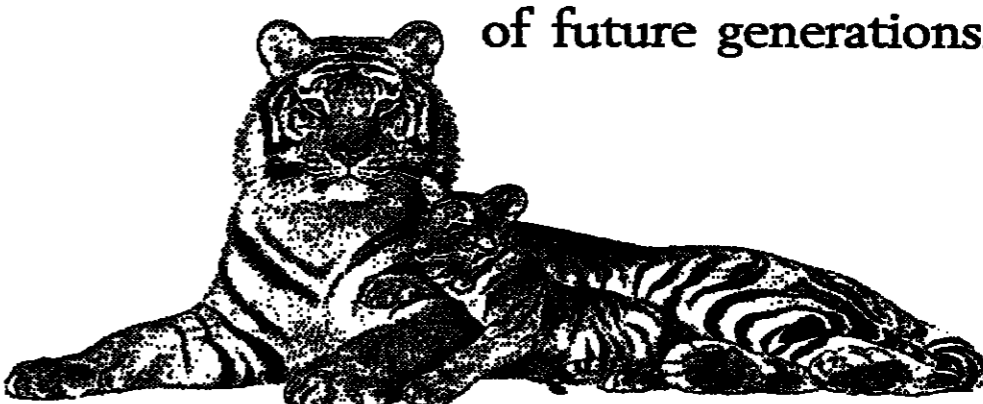
SMOG
CAR EXHAUSTS MAY CONTRIBUTE TO SMOGS IN CERTAIN CLIMATIC CONDITIONS. IT WAS CONCERN ABOUT SMOGS OVER LOS ANGELES & TOKYO WHICH FIRST PERSUADED AMERICA & JAPAN TO LEGISLATE FOR CLEANER EXHAUSTS IN THE MID 70s BY REQUIRING CATALYTIC CONVERTERS ON ALL NEW CARS. THESE CONVERTERS CAN ONLY BE USED ON CARS RUNNING ON UNLEADED PETROL.

IT IS NOW ESTIMATED THAT TWO-THIRDS OF THE CARS IN THE WORLD ARE RUNNING ON UNLEADED PETROL.

Today, it is increasingly available at Esso sites throughout the country.

We are planning ahead to develop the quality fuels of the future which will contribute still further towards improved environmental performance.

We intend to play our full part in improving the quality of the environment, whilst supplying the energy needs of future generations.



Esso Caring for tomorrow's quality of life.

McD invites tenders for next torpede

How will the Budget bite?

TAX RELIEF

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TECHNOLOGY

Throughout western Europe last year, smog afflicted the busiest cities. In West Germany, several places experienced smog alerts. In central London, carbon monoxide levels exceeded the World Health Organisation's guidelines on numerous occasions. Even in car-mad Italy, a magistrate threatened to ban all cars from Rome because of pollution.

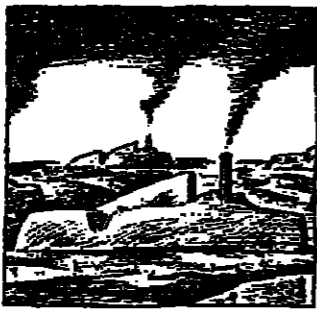
Although it is agreed that the main culprit is the motor car, the remedy is being hotly disputed. Several European governments, under pressure from indigenous motor manufacturers, are supporting different solutions.

The British Government favours an evolutionary approach, known as the lean burn engine. Much of the pollution from car engines is the result of incomplete combustion. Lean-burn systems increase the proportion of fuel burnt by feeding more air into the combustion chamber. To achieve this, the air to petrol ratio is increased to as much as 22:1, compared with 15:1 for traditional engines.

Proponents of lean-burn engines argue that they use petrol more efficiently than conventional engines, cost less to run and produce less carbon dioxide, so minimising the contribution to the greenhouse effect.

The other school of technology is catalytic conversion, which cleans up noxious gases in the exhaust system. In Switzerland, for example, cars are legally required to incorporate a catalytic converter. In the US and Japan, "cat" cars have been in use since the 1970s. In Europe, this technology is favoured by several manufacturers. Toyota is the first to sell "cat" cars in the UK. Rover, Volvo, Saab, BMW,

Continuing a series on threats to the environment, Della Bradshaw assesses the car industry's progress towards cleaning up exhaust emissions



Bumpy ride on the road to conversion

Vauxhall and Mitsubishi are also converts to the cause. The trend towards fitting converters has taken the heat out of earlier car pollution worries which centred on lead emissions. "Cat" cars must run on lead-free petrol because the metal clogs up the converter. Now that unleaded petrol is relatively widespread in Europe, attention has switched to three other pollutants spewed out by car exhausts:

• Carbon monoxide.
• Nitrogen oxides, such as nitric oxide and nitrogen dioxide, which can cause breathing difficulties in humans. They also combine with water to produce acid rain which destroys vegetation.

• Unburnt hydrocarbons, which can react in sunlight with nitrogen dioxide to form ozone. (Although ozone acts as a shield against harmful solar radiation in the upper atmosphere, it is an unwelcome pollutant at lower levels and can cause breathing difficulties.)

The three-way catalyst is the most effective way of cutting pollution. It chemically converts at least 90 per cent of the three substances into water,

nitrogen and carbon dioxide, using a catalyst of precious metals such as platinum or rhodium.

Its disadvantage is that it needs to use the traditional petrol mixture of 15 parts air to one part petrol in order to carry out the process of reduction and oxidation. This means that it cannot be combined with a lean-burn engine.

Manufacturers have resisted the introduction of three-way catalysts because they add at least 2000 to the cost of the car — about 10 per cent on a small model. As small cars often tend to be first cars, makers are concerned that cost increases would dent demand.

In the UK, lean-burn engines have been widely promoted by the Ford motor company, which has spent more than £100m to develop the technology. However, faced with legislation and public demand, the US company sells "cat" cars in its home territory, and in Switzerland and West Germany.

Mike Hawkins, of Ford's automotive regulation and planning department in the UK, believes that lean-burn engines are the "most appropriate solution" for small cars.

"But if there is real demand among customers, manufacturers will have to make cars with catalysts available."

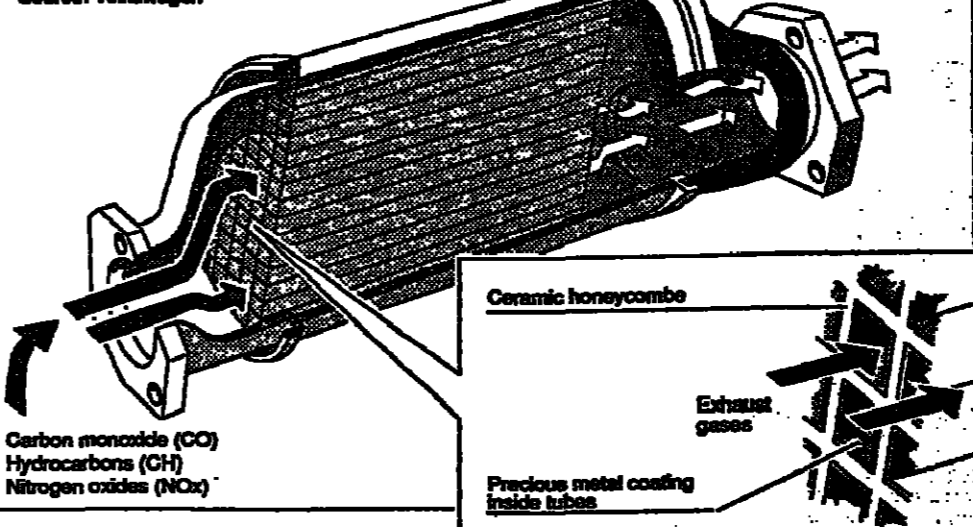
Although lean-burn engines use less fuel than the conventional variety, they are only truly lean-burn when they are cruising. At full throttle they burn a more traditional mix of air and petrol. To control emissions partially from lean-burn engines, an oxidation catalyst can be fitted, but it only oxidises carbon monoxide and hydrocarbons — it does not affect the nitric oxides.

In spite of consumer confusion about the effect of emission control on car performance, manufacturers from both the "cat" and the lean-burn camps say that performance reduction is minimal. Although a three-way catalytic converter slightly impairs acceleration in some cars, newer engine designs compensate for this.

In high-powered cars the effect of switching to unleaded petrol — which has an octane level similar to three star fuel — is more noticeable. To combat this, BP has introduced a

Catalytic converter

Source: Volkswagen



high-octane unleaded fuel called Super Green.

The political debate is focused on whether the legislation decided by the European Parliament in 1985 is strict enough. Because it is permissive, countries need only adopt it if they want to. The first restrictions should have been imposed last October, but the UK Government has delayed implementation of the limits until October 1991.

The levels of pollution allowed under the directive are far higher than "green" countries, such as West Germany and Denmark, were hoping for — and far higher than that allowed in the US and Japan.

And unlike those two countries, the EC has approved three tiers of legislation for small cars (less than 1.4 litres), mid-range (1.4 to 2 litres) and large (more than 2 litres). The

larger the car, the less pollution it is allowed to produce. For every 45 grams of carbon monoxide a small car can emit, a large car can only produce 25 grams.

"You have the ludicrous situation where if a Rolls Royce and a Mini are travelling along the same road, the Mini is allowed to have a higher level of emissions than the Rolls," says Peter Emmel, general manager (autocatalysts) at Johnson Matthey, one of the world's largest producers of catalytic converters.

The regulations mean that small cars available in the UK with lean-burn engines, such as the latest Ford Fiesta, pass the emission tests without modification. Mid-range cars with lean-burn engines could meet the standards with an oxidation catalyst attached, but only larger cars need a

three-way catalyst.

Countries that want stricter regulations on emission levels have been thwarted by EC rules. The Dutch Parliament, for example, has been taken to the European Court because of its decision to try to introduce stiffer regulations. It is argued that this would distort free trade in the run up to the single European market.

However, the West German Government, which favours the catalytic converter, has overcome the problem by giving tax incentives to companies and individuals to buy cars incorporating catalysis.

Lobbyists for stricter controls believe that if national or European-wide legislation is not forthcoming on emission levels then some sort of persuasion is necessary. "It's a legislation-led market, not a consumer-led market," says

Mary Blake, pollution information officer at Friends of the Earth, the environmental pressure group.

Further problems are also emerging, such as how to test whether cars comply with the new emissions standards and how to bring diesel vehicles into line.

Confusion over the "cleanliness" of different types of fuel has led some consumers to opt for diesel cars because they believe them to be more environmentally friendly, says Blake. Sales of diesel cars are rising by 20 per cent a year in Europe, where they account for 15 per cent of the car market.

Although diesel engines do not need added lead in order to prevent engine knocking, the exhaust fumes are a source of soot, and the minute particles in that smoke can cause respiratory problems.

Many proponents of strict emission standards acknowledge that things will get worse before they get better.

In the US, regulators found that controlling emissions by 50 per cent did not substantially make the air 50 per cent cleaner. Because the restrictions only applied to new vehicles, it took at least a decade to get a high proportion of "clean" cars.

Another worrying factor is the continued growth of the car population, which has risen from 50m world-wide in 1950 to nearly 350m today. By the end of the century, another pressure group, Greenpeace, has predicted that the number will be 500m. So the anti-pollution movement has to drive faster just to stay in the same spot.

Previous articles in the series appeared on March 6, 9 and 13.

Imagine taking off in a Boeing 747 from Los Angeles to be told that contractors had only just started to pour the concrete for the runway you were going to land on at Kennedy Airport in New York.

Lone Star, the US cement company, has launched a new quick-drying, high-strength cement which it says would enable the aircraft to land perfectly safely six hours after the runway was poured.

James Stewart, chairman and chief executive of Lone Star, who loves his company's products so much that he built his Miami home entirely of precast concrete, calls the new cement Pyrament — after the Egyptian pyramids.

When the product was launched in front of construction company executives in Washington in January, it was poured in a large lake on the ballroom floor of the Omni-Sho-

Setting the pace in the market for quick-drying cement

raham hotel. Within two hours, says Lone Star, the floor was as hard as rock and ready for dancing.

Concrete made from Pyrament, it says, can support heavy highway traffic within four hours of being poured. Conventional Portland cement would take approximately a week to achieve the same strength.

The product was recently tested during the repair of a toll road in Houston, Texas. At 2pm about 25 cubic yards of Pyrament-blended concrete was laid from a ready-mix truck. By 5pm the road was opened for rush hour traffic.

Lone Star claims that Pyrament has much greater strength and sets at much lower temperatures than Portland cement.

Stewart refuses to reveal how Pyrament, which took 10 years to develop, is made. He says that it needs no additives or accelerators, which can create problems when mixed on site. Additives can be used to produce faster curing or improved strength in Portland cement, but not both at the same time.

Portland cement, invented by Joseph Aspdin in 1824, is manufactured by baking a mixture of limestone or chalk with other products — such as gypsum, silica, alumina and iron oxide — to produce a clinker which is ground finer than face powder. When the cement is mixed with water, a chemical reaction leads to increasing strength as the

product sets hard.

Stewart says that by adding different chemicals and changing the proportions of the mix, Lone Star has produced a different chemical reaction, which requires less water and so reduces the setting time. The mixture has been used successfully at -3 deg C.

Pyrament does cost two to three times more per tonne than Portland cement. "Developers, however, will make substantial savings in terms of time and strength, while cement remains only a small proportion of the total development costs."

According to Lone Star, it costs \$32m to build a mile of urban highway in the US. "For an extra \$160,000 you can build it using Pyra-

ment and have a highway that lasts twice as long."

The product has a flexural strength (concrete for motorways has to be able to give) of about 600 lbs per square inch and a compressive strength (breaking point) of about 3,000 lbs per square inch within four hours of pouring.

After this length of time, the strongest grade of Portland cement has a flexural strength of about 100 lbs per square inch and compressive strength of less than 1,000 lbs.

Lone Star is the largest US-owned cement manufacturer. It was formerly the country's largest cement supplier, but has lost market share in recent years to cut-price imports shipped over by European manufac-

turers. Lone Star is now about the third largest supplier of cement in the US.

In the 1970s, the company tried to dominate the US cement industry, which traditionally comprised many small to medium-sized companies, by making a series of acquisitions. It came unstuck when a recovery in the US cement market failed to materialise in the early 1980s.

Left with large borrowings, it sold off assets and forged joint ventures with some of the international companies which the company had criticised for importing cut-price cement into the US. Lone Star currently has joint ventures in the US with Tarmac and B&C of Britain, Onoda of Japan and Adelaide

Brighton of Australia. It also has a joint venture in Brazil with Lafarge Coppee, the French building materials group.

Lone Star hopes to build on some of these joint ventures to secure a future Pyrament outside the US.

Stewart was in Britain last week where he met with Tarmac and B&C. He also met Eurotunnel, the Anglo-French Channel tunnel group, which he says could be a large customer for Pyrament.

Before he took over his father's lumber business in Minneapolis in 1953, he was briefly a musician, a door-to-door salesman, a bank rancher and a television cooking show host. He built the family home before selling it to Lone Star in 1971.

Andrew Taylor

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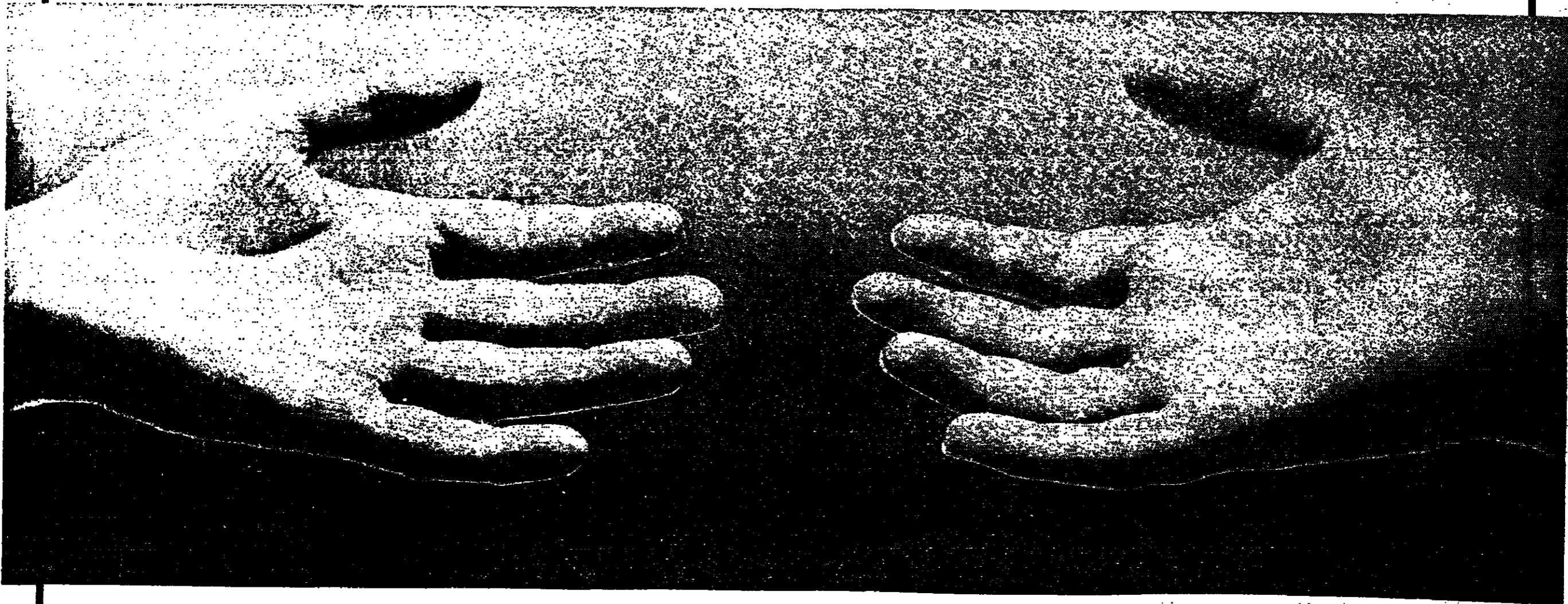
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UK Budget



Economic Forecasts

Interest rates to stay "as high as needed, as long as needed" to get on top of inflation. Inflation forecast to rise to about 8 per cent during next few months, falling back to 6.5 per cent at the end of the year. Real economic growth to fall from 4.2 per cent to 2 per cent. The Chancellor again confirmed the principle of a balanced budget.

Taxation

The basic 25 and 40 per cent rates are unchanged. Thresholds to rise by 6.8 per cent. Employees' national insurance contributions cut to only 2 per cent on earnings of up to £43 a week. Above that, there will be a single rate of 9 per cent. Tax on alcohol and tobacco to remain unchanged along with other rates of duty. Single person's allowance to rise by £180 to £2,785 and married man's allowance by £280 to £4,375. Basic rate limit on income tax rises by £1,400 to £20,700. Single age allowance rises by £220 to £3,400 and married age allowance by £350 to £5,385.

Employment

Limits to be raised on employee share ownership schemes. Tax obstacles to such schemes to be removed. Annual relief limit on profit-related pay for workers raised to £4,000. Pensioners

The earnings limit for pensioners is abolished from October. The over-80s age allowance is extended to those over 75.

Companies

Tax on company cars to rise by one-third. Corporation tax burden reduced for many small companies. Their rate band increased by 50 per cent to cover companies with profits of less than £150,000. VAT threshold increased to £23,500 turnover.

Value Added Tax

Water for industry, and fuel and power for business will be subject to Value Added Tax (VAT) from July 1990. Householders remain exempt. Duty on two- and three-star petrol raised to put price in line with four-star. Differential in favour of unleaded petrol widened. Vehicle excise duty to be raised for buses and coaches and heaviest rigid lorries. VAT no longer to be paid by charities on fund-raising events. Gifts of land to housing associations relieved from capital taxes. Limit doubled to £480 on payroll donations.

Personal Equity Plans

Annual limit raised from £3,000 to £4,800. Unit or investment trust limit raised to £2,400. New equity issues may be included and rules to be simplified.

Information sources

The UK Treasury's Financial Statement and Budget Report 1988/89 may be obtained from HMSO Publications Centre, PO Box 276, London SW8 5DT, UK. Telephone orders: (441) 873-9090. Press releases from the Inland Revenue and HM Customs and Excise may be obtained from: Inland Revenue Press Office, Somerset House, Strand London WC2R 11B, UK. Telephone: (441) 438-8420. HM Customs and Excise, General Information Branch, New King's Beam House, 22 Upper Ground, London SE1 8PU, UK. Telephone: (441) 620-1313 Extension: 3897.

Echoes of Empire in the Great British Budget

Peter Norman looks at a peculiar UK tradition

THE BUDGET is one of those events that marks the British as a race apart. What in other countries is a piece of boring national house-keeping is in Britain an event evoking memories of Empire and revealing a long standing love-hate relationship between the average citizen and the tax man. The curious pre-budget practice of Pundah is the link between the mundane world of income tax and excise duties and Britain's imperial past, while for the man in the street budget day itself can be a day of carnival-like enthusiasm. Named after the practice in British India of keeping women in seclusion, Pundah in the budget sense requires the Chancellor of the Exchequer, Britain's Finance Minister, and Treasury officials to disappear from view and normal contact with the press and outside lobby groups in early January for a period of about 10 weeks before the budget is produced. In this period, the chosen officials, who might normally be charming and intelligent human beings, are forced to

become cocktail party wall-flowers because they can give no more than the bleakest response to the standard conversational gambit: "What do you do?"

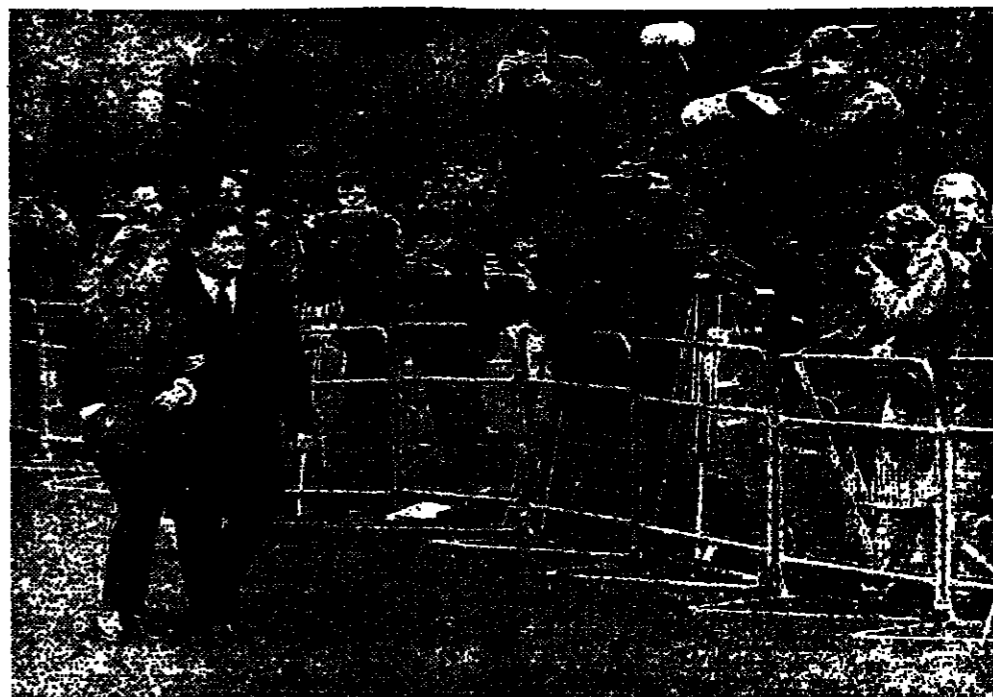
Foreign diplomats stationed in London find it especially odd that the budget in a relatively small country like Britain needs such intensive incubation. The British budget has only half the scope of budgets in most other industrial nations which deal with government expenditure as well as taxation. In Britain spending plans are announced in the autumn, leaving just the revenue raising side of the national ledger for March.

Pundah highlights the love of secrecy that pervades Britain's ruling establishment. The carefully contrived ballyhoo that surrounds the budget is designed to appeal to a bizarre fascination with matters fiscal among the general population.

It was Benjamin Franklin, the great American Revolutionary statesman, who said that death and taxes are the only two certainties in life. Realising this grim reality, the average Briton makes the best of a bad job and is determined to celebrate the latter.

National newspapers run competitions inviting readers to guess the contents of the Chancellor's speech, while bookmakers set odds on possible tax changes. On the day, the budget overshadows all other events in newspapers, television and radio.

Some students of national character have argued that the Budget is an example of the



Turning a gentler face: The Chancellor and Therese Lawson strolling in the park yesterday

peculiar British love of adversity. What else might one expect from a nation that celebrates retreats and setbacks such as the evacuation of Dunkirk in World War Two with such zeal, they ask.

On the narrower fiscal front, some historians postulate that the general election of 1874 was a seismic event in the evolving love-hate relationship between the British and the tax man. In that year the great 19th century Liberal statesman Mr William Ewart Gladstone campaigned on the issue of abolishing income tax and lost.

Mr Gladstone's battered red budget box still plays a crucial part in the annual budget pageant. No matter how pleasant or unpleasant the contents, it is held in triumph above the Chancellor's head on the doorstep of his official residence,

Number 11 Downing Street, before the short journey to the House of Commons.

That is just one of the many carefully orchestrated "photo opportunities" which surround the budget, allowing the Chancellor to show a gentler, more human face to the nation before fixing taxes for another 12 months.

Mr Nigel Lawson, the Chancellor, does not suffer fools gladly. But he plays along with the cameras, knowing full well that budget day is his day. Always tight lipped, for fear of letting slip a Budget secret, Mr Lawson can be found at play with the family in his country vicarage home on the weekend before the budget and walking the dogs in St James' Park in London on the morning of the budget itself.

On his way through the hall of his Downing Street home to

present the budget to an expectant House of Commons, the Chancellor will have passed portraits of both Mr Gladstone and Benjamin Disraeli, the founder of the modern Conservative party.

These two titans of 19th Century England highlight some of the inner contradictions and policy conflicts that beset Mr Lawson.

In many ways he is a Disraeli-like figure: flamboyant, sometimes sporting long wavy hair and trying to control a barely suppressed gambling instinct. In recent years, however, he has preferred to cast himself in the role of Gladstone, who as Chancellor was the originator of the modern Treasury. Gladstone had a passion for economy and a drive to reduce taxes so that the nation's wealth might "fructify in the pockets of the people."



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Which, if you'll forgive us Mr. Chancellor, was before many of the economists you called teenage scribblers were born. And long enough for us to have built up an excellent reputation when it comes to analysing budgets. This year, as usual, we've been working through the night to translate the chancellor's words into a comprehensive report. And then to translate that into some practical advice. Our existing clients will soon be taking advantage of our no-nonsense reports at one of our nationwide seminars.

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THE BUDGET: Analysis

PENSIONS

A radical surprise

EMPLOYERS in future will be able to pay their pensioners the amount of tax relief they wish to their employees. However, the amount of tax relief they and their employees can obtain on their pension arrangements will be strictly limited.

must limit the benefits in accordance with Inland Revenue rules, which set an overall maximum pension limit of two-thirds of salary at or near retirement. All attempts by the pensions industry, led by the National Association of Pension Funds, to remove or at least simplify these rules had failed in the face of an inflexible attitude from the Revenue.

period of 20 years membership at the time of retirement. Pensions higher than two-thirds or for earnings above £60,000 would be provided from a top-up scheme which would not be tax-exempt. Contributions would be out of taxed income and the investment income and capital gains would be taxed.

prepared to pay higher contributions for these employees to provide the existing levels of benefit. These new arrangements apply to new company schemes set up as from yesterday or to employees joining existing schemes from July 1. Thus these proposals will act as a disincentive to high fliers changing jobs.

benefits from the main scheme have to be reduced. In future any excess AVC value will be paid to the employee in cash subject to tax at 10 per cent above the employee's top tax rate. The proposal conforms with the solution put forward by both the NAFF and the Confederation of British Industry.

INCOME TAX AND NICs

From slab to slice

FOR MOST working people, this year's budget will make very little difference. The most any one person is likely to gain is £245 a year. The major change affecting earned incomes is the change to national insurance contributions (NICs). It is a change from a "slab" system, which charges NICs at a flat rate on all earnings (up to a ceiling) once a certain level is passed to a "slice" system, which charges a lower rate on the first slice of income.

But overall, the Budget is more noticeable for what the Chancellor did not do than for what he did. There was no change in the rules governing mortgage interest relief nor in the basic rates of tax. The widely expected 10% increase in the national insurance and income tax thresholds.

approximately 11 per cent, which is greater than the rise in both prices and earnings. And of course some younger pensioners will benefit from the abolition of the earnings rule. But overall, the Budget is more noticeable for what the Chancellor did not do than for what he did.

Eric Short

NEW ISSUES

Barriers go on sterling paper

THE SWEEPING away by the Chancellor of some of the few remaining restrictions on raising funds in the sterling equity, bond and short-term paper markets was broadly welcomed in the City of London last night.

The main implications of the proposals are these: The new issues queue for not more equities will be abolished from yesterday for all issuers, except local authorities for which separate legislation is being drawn up.

CURRENCIES

Honest effort but no action

THE UK tax treatment of foreign exchange profits and losses has never been satisfactory. The House of Lords in 1984 criticised the Inland Revenue's attitude towards the taxation of trading exchange differences and this prompted a statement of principle which was finally issued on 17 February 1987.

While this resolved a number of the issues, a number of uncertainties remained: Exchange profits on capital gains were taxable while losses on matched funding was disallowed. Exchange profits on capital gains are calculated by reference to sterling equivalents. This can produce tax liabilities even when the currency value of the asset has not changed.



VEHICLE EXCISE DUTY

Increased fares for the consumer

OPERATORS of commercial vehicles reacted angrily last night to the Chancellor's plans to increase vehicle excise duty on a wide range of lorries, buses and taxis.

for buses and coaches would rise from £25 to £300. But the new rates will have a greater impact on the large capacity buses used in urban areas. For example, the duty payable on a bus with a seating capacity of 80 will rise from £100.80 to £450. The council says there are around 30,000 such buses, implying a gross increase of more than £13m in the annual fixed costs of services.

allows local authorities to support socially necessary routes - which could mean that some extra revenue raised by Mr Lawson will be offset by increased local authority subsidies. The Chancellor has also ended more than 20 years of favourable excise duties for taxis - where the rate will rise from £25.50 to £100, the same as a private car.

COMPANY CARS

One-third increase better than expected

AFTER THE shock of the doubling in company car benefit scales in the 1988 Budget, this year's increase of only one third in the scale charges was greeted with widespread relief. The attractiveness of a company car has hardly been undermined.

pany cars account for more than 50 per cent of all new car purchases in the UK. There are an estimated 2.5-3m company cars in the total UK car population of more than 21m. The motor industry had feared that a further doubling in scale charges could lead to a drop of 15 to 25 per cent in company car sales with buyers also trading down to smaller categories of cars.

BUDGET 89. An extra £27.50 a year for the district nurse driving a 1.4-litre Fiesta, earning £10,000 a year and paying 25 per cent tax. An extra £63.50 a year for the sales rep. driving a 1.6-litre Cavalier, earning £18,000 a year, paying 25 per cent income tax and covering more than 18,000 miles a year. An extra £200 a year for the senior executive earning £40,000 a year driving a Jaguar XJ6 3.6-litre, paying 40 per cent income tax with the car largely for private use. An extra £280 a year for the company chairman earning £20,000 a year running a BMW 768iL, using the car as a perk with less than 2,500 business miles and paying 40 per cent income tax. The new tax rates will take effect from April 6 and will increase from 1989-90 and £200m in 1990-91. Kevin Done

SMALL COMPANIES

Hopes of changes dashed

BRITAIN'S smaller companies yesterday won a small tax concession and some cuts in their burden of red tape from the Chancellor but failed to gain any of the more substantial improvements for which they have been lobbying.

and others; and the effective abolition of the close company tax rules for trading companies. However, the Chancellor had failed to address some of the sector's more deep-rooted problems, small firms' lobbyists claimed. Some had hoped for the abolition of inheritance and capital gains taxes, for moves to give small firms access to low cost funds and for improvements to the Business Expansion Scheme and the Loan Guarantee Scheme.

Such a move had figured in several of the small firm lobbyists' budget submissions though a number had called for an even higher threshold of £250,000. The proposed simplification of the way in which the earnings of employees and directors are assessed will be of particular benefit to some 500,000 company directors, particularly those in financially-strapped small companies. Under the new rules tax will be assessed not on the amount earned in a particular year but on the amount received.

UNLEADED PETROL

Sales surge expected

WITH UNLEADED petrol now to cost nearly 10p a gallon less than leaded four star at the pump, the stage is now set for a significant upsurge in sales of the more environmentally-friendly unleaded fuel. On its own, the latest 4p a gallon cut in duty on unleaded would have been a slight disappointment to the environmentalist lobby and the petroleum industry.

Both had been arguing for a 6p per gallon cut, to persuade more motorists to switch. But by slapping an extra duty of 4p per gallon on leaded two star and three star, so that it will cost at least as much as four star, the Chancellor appears to have pulled off a masterstroke. There will be an extra incentive to motorists to buy unleaded, because it will be much cheaper than leaded fuel. Since there is now no point in any motorist buying two or three star, sales of both grades should quickly wither away. This will meet one objective of the petrol trade and industry, which wants to move to simple, two-tier petrol sales comprising unleaded fuel and just one grade of leaded.

Oil companies, which have spent hundreds of millions of pounds installing manufacturing capacity and distribution facilities for unleaded, were bullish, however. "It is the last extra push needed to win motorists over to unleaded. The economic argument for switching is now irresistible," said a spokesman for BP. Esso said that it was now considering whether to introduce a premium unleaded grade, following last week's introduction of premium unleaded by BP. Meanwhile BP said that it would now be able to price the new product below premium leaded grades. Any rapid increase in demand for unleaded is good news for the oil companies. Because unleaded requires more intensive refining than leaded petrol, increased production has the effect of reducing effective refining capacity.

Sterling commercial paper of up to one million in maturity has up to now only been issued by London-listed companies capitalised at more than £50m with a minimum denomination of £500,000. This restricted the growth in the market, effectively barring such large issuers of paper as General Motors.

The document appears to represent a serious attempt by the Inland Revenue to address the considerable difficulties in this area. However, it appears more concerned with developing a consistent set of rules which apply equally and fairly across the board - an impossible task - rather than dealing with the particular issues which are affecting companies.

Tony Allen

The author is a partner at Deloitte Haskins & Sells

Stephen Fidler

Charles Batchelor

John Griffiths and Steven Butler

Handwritten scribble at the bottom of the page.

THE 126 MPH TAX HAVEN.



So, what's this, (on today of all days) tax evasion hints courtesy of Rover? Perish the thought.

We'd just like to point out that one can enjoy all the rewards of executive motoring without undue reprisal from the tax-man.

In the shape of the two litre Rover 820 Si.

As you know, drive a car a whisker over two litres and the demands from the revenue verge on the draconian. (And from this evening, according to whispers in the corridors of power, life could be even more uncomfortable for luxury car drivers.)

But surely two litres means loss of power and second-rate performance, not to mention some possible misunderstandings regarding one's status?



The 126 mph 820 Si. Many happy returns.

On the contrary.

The sixteen valve, 140 PS engine with its electronically controlled multi-point fuel-injection (unleaded compatible of course), powers the Rover 820 Si from standstill to 60 mph with considerable dispatch.

A nimbleness that leaves its larger-engined rivals well behind. Cars, incidentally, not only more expensive to run, but also to buy. Driven it would seem by people happy to pay more to drive slower.

But in greater comfort perhaps? Hardly.

The 820 Si is as comfortable as it is powerful. Infra red remote door locking, electric windows front and rear, heated electric door mirrors and slide and tilt sunroof (electric, of course) all come as standard.

As does power assisted steering and an eight speaker stereo system; as well as familiar touches like burr walnut fascia and door inserts.

The Rover 820 Si promises you large-engined performance, large car luxury. There is, however, one extra it can't promise.

A large tax demand.


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THE BUDGET: The Chancellor's Speech

Budget to build on unprecedented economic strength

MR NIGEL LAWSON, the Chancellor of the Exchequer, began his sixth Budget speech at 3.45 pm yesterday and completed it at 4.51 pm, a duration of one hour and six minutes. He said:

The background to this year's Budget is the unprecedented strength of the British economy, coupled with the continuing and overriding need to combat inflation, at a time when, throughout the world, it is unmistakably edging up again.

I shall begin with an account of the performance of the economy in 1988 and the prospects for 1989, set in the context of the past 10 years. I shall then deal with monetary policy and the public sector finances. Finally, I shall propose a number of measures to carry forward the process of tax reform.

As usual, the Financial Statement and Budget Report, together with a number of press releases filling out the details of my proposals, will be available from the Vote Office as soon as I have sat down.

The Government's first 10 years in office have seen a transformation both in the way in which economic policy is conducted, and in the results that have been achieved.

Two central objectives

For the first time, economic policy has been set firmly and explicitly in a medium-term context.

We have been guided by the basic philosophy that the Government should set a sound medium-term financial framework and leave the private sector free to operate with confidence within it.

The Government came to office with two central objectives - to defeat inflation, and

ceeded. Between 1974 and 1979 inflation had averaged more than 15 per cent. Over the past six years it has averaged 6 per cent - still not good enough, but a massive improvement.

Once business and industry recognised the fundamental changes that were taking place, they responded to the new economic climate with vigour and confidence.

Longest growth since the war

As a result, we have experienced the longest period of strong and steady growth since the war. Output in the United Kingdom has grown faster than in all the other main European nations during the 1980s.

In Britain today we have more people in work than ever before in our history; they are better motivated than ever before, and their living standards have improved beyond recognition.

But it is not just our economic performance that has been transformed: so have our prospects for the future.

Investment and profits up

Over the past seven years, investment has grown more than twice as fast as consumption, creating the increased capacity necessary to meet future demand.

Total business investment is now a higher proportion of national income than ever before. And its quality has improved immeasurably, too, as has the quality of British management. We have seen a dramatic and long overdue improvement in company profits. And a remarkable growth in the total number of businesses, last year at the rate of more than a thousand a week.

Provided we stand firm on our resolve to get on top of inflation, the prospects before us are excellent. And at least on this side of the House, we do stand firm.

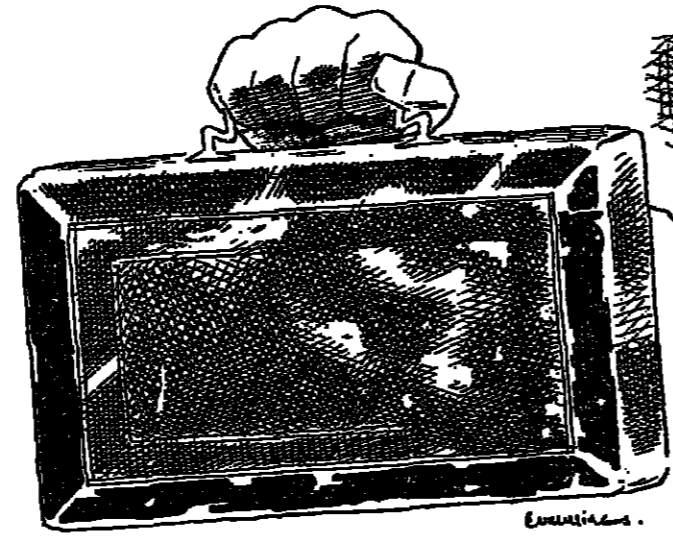
Sustained growth in 1988

A year ago, in the aftermath of the worldwide stock market crash, it looked as if there would be some slowing down from the rapid growth of 1987. In fact that was not to be. As the House knows, the state of the national income statistics leaves much to be desired. But it now appears that we had in 1988 a second successive year of growth at 4 per cent, with unemployment falling by over half a million, to well below the European average.

Manufacturing output grew particularly rapidly, by more than 7 per cent, to a level well above the previous peak. But total spending also grew by getting on for 7 per cent, mainly because of the boom in industrial investment, in itself a welcome event, but also because of continued strong growth in consumer spending. This last was financed to an unprecedented degree by borrowing, overwhelmingly mortgage borrowing.

Inflationary pressure

Inevitably the rapid growth of total spending led to



'Output in the United Kingdom has grown faster than in all the other main European nations'

renewed inflationary pressure. To some extent this was diverted into a sharp rise in imports, and hence into the deficit on the current account of the balance of payments. The published figures put this at £14.5bn in 1988, although given the £15bn positive balancing item - another name for errors and omissions - the true figure is almost certainly less than this.

But whatever the true figure, it is undoubtedly large, and a sharp increase on the deficit recorded in 1987 after seven successive years of surplus.

Given sound policies, however, it can readily be financed. Moreover, unlike previous current account deficits we have known in this country, it reflects not excessive Government borrowing, but rather an upsurge of private investment unmet by private savings. This imbalance is something that will in due course correct itself.

The real threat is posed by the increase in inflation itself. Excluding the distorting effect of mortgage interest payments, the RPI rose by 4 per cent last year, much the same as the average over the previous five years. But this underlying rate increased significantly through the year, and now stands at 5 per cent.

Worldwide inflation

Moreover, the increase in inflation appears to be a worldwide trend. Taking the seven major industrial nations as a whole, inflation is now at its highest level for three and a half years.

In the UK, as in a number of other countries, it became clear that it was necessary to tighten monetary policy sharply. That meant raising short-term interest rates, which I duly did, starting last June.

I am of course keenly conscious of the difficulties many borrowers, particularly home owners, are now experiencing. But however unwelcome high interest rates may be, they are infinitely preferable to the damage that would be done by high inflation.

There are now increasing signs that the determined action I have taken is having the desired effect. The housing boom that played such a large part in the events of last year has subsided. Monetary growth has slowed down appreciably. And retail sales, too, seem to have levelled off over the past four months, presaging a gradual recovery in the personal savings rate.

The outlook for 1989 is for inflation to rise a little further over the next few months, from 7 per cent including mortgage interest payments to about 8 per cent, before falling back in the second half of the year to 5 per cent in the fourth quarter and perhaps 4 per cent in the second quarter of 1990.

Slowdown inevitable

Some slowdown in real growth is inevitable as we get inflation back onto a downward path - indeed, it has almost certainly already begun to happen. Overall growth is forecast to fall from the 4 per cent recorded last year to 2 per cent this year, with growth through the year at 2 per cent. Domestic demand is forecast to slow down even more markedly. But within this, investment, which is holding up well, is once again forecast to grow faster than consumption.

The current account deficit is forecast to remain at the same level as last year.

But the question of just how "soft" or "hard" the so-called landing will be is not in the hands of Government alone.

The Government's task is to reduce inflation by acting, through monetary policy, to bring down the growth of national income in money terms. The task of business and industry is to control their pay and other costs. The more

successfully they do so, the less costly in terms of output and employment the necessary adjustment will be.

But over the medium-term, it is clear from our experience over the past ten years that the policy we are pursuing will bring inflation down, and steady growth will resume.

The best contribution the Government can make to this is to carry forward the process of supply side reform, to help make the economy work better. That is the objective of the specific measures to which I shall turn in the second part of my speech.

Monetary policy

As I said at the outset, monetary policy plays and must always play the central role in the battle against inflation. It is at the very heart of the medium-term financial strategy, the tenth edition of which I am publishing today.

I have described the monetary tightening that has taken place over the past nine months. This has already led to a sharp fall in the rate of growth of the target aggregate, narrow money, or M0.

For 1989-90, the target range for M0 will be 1.5 per cent, as envisaged in last year's MTFs. Although it will start the year above the top of that range, its very low growth over the past six months - below 2 per cent at an annualised rate - suggests that it will fairly soon come back within the range. As in the past two years, there is no target for the growth of broad money, or liquidity, but I will continue to take it into account in assessing monetary conditions.

The exchange rate is of particular importance in the con-



Peter Brooke: Paymaster General

duct of monetary policy. The Government's clear commitment not to accommodate increases in domestic costs by exchange rate depreciation remains a key safeguard against inflation. In this context, we will continue to work with our G7 partners to maintain the greater exchange rate stability that has been a feature of the past two years.

Interest rates

Short-term interest rates remain the essential instrument of monetary policy. I repeat what I have stated clearly on a number of previous occasions: interest rates will stay as high as is needed for as long as is needed. For there will be no letting up in our determination to get on top of inflation.

Public sector finances

I now turn to fiscal policy. When we first took office the public sector borrowing requirement was over 5 per cent of GDP - equivalent to £25bn in today's terms.

This was steadily reduced over the years as a deliberate act of policy, until, by 1987-88, the PSBR had been eliminated altogether and we started to



Reduced debt burden

Nothing like this has ever been achieved in the past 40 years. Indeed, Government debt as a proportion of GDP is now lower than at any time since the First World War. And no other major country enjoys a comparable budget surplus.

It has not been easy, even though we have been assisted this year by the exceptional buoyancy of the economy, which both boosted tax receipts and reduced public expenditure.

Moreover, the substantial net repayment of public debt over the past two years has permanently reduced the burden of debt servicing, both now and for future generations. For the coming year, for example, the debt repayments of the last two years mean that net debt interest costs will be lower by over £1.5bn a year. This saving is being put to good use, allowing investment in environmental programmes within our overall public expenditure constraints.

The dramatic improvement in the United Kingdom's public finances has also provided a welcome opportunity to devote more attention to the structure of the debt that remains. We will continue to seek both to minimise the cost of servicing the Government's domestic debt and to improve its quality by relying less on the more liquid borrowing instruments.

We have also been able to restructure part of the Government's foreign currency debt, launching an innovative and cost-effective programme of Treasury Bills denominated and payable in ecu. The first series of six monthly tenders for these bills has proved a highly successful innovation. We plan to continue the programme at around the current level.

Meanwhile, I am today adding one more entry to the long list of financial controls which we have swept away during our term of office. The last surviving relic of the post-war apparatus for the direction of capital by the State is the Control of Borrowing Order, which since 1948 has involved first the Treasury and then the Bank of England in giving consents for equity and bond issues in the capital markets. As from today it will no longer be necessary for companies wishing to make capital market issues to obtain the Bank of England's consent to the timing of such issues. The new issue queue will be a thing of the past. And, as soon as practicable, we will revoke the 1946 Act from which it stems.

The sterling capital market has in recent times been going through a period of considerable adjustment, as the Government has changed from being a large issuer to a large purchaser of its own debt. The abolition of the Control of Borrowing Order will remove an unnecessary and bureaucratic restriction on issuers of capital as they move into the space formerly occupied by the Government when it was a borrower.

Financial controls

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Confidentiality of taxpayers

This means that, in the space of three years, we shall have repaid roughly a sixth of the public debt that has accumulated over two centuries. But it also means that it will not be possible in this year's Budget to reduce the burden of taxation; that is to say, to reduce taxation as a share of national income.

Before I turn to my proposals for changes in taxation, I have one other change of a specific nature to announce. As the House knows, the new official secrets legislation currently passing through Parliament is very much narrower in scope than the present Official

Sterling paper

This new freedom will be enhanced by a further, important, set of deregulatory measures for the sterling capital market which are being promulgated today in notices

Secrets Act. In particular, it does not cover information in the possession of either the Inland Revenue or Customs & Excise concerning the private affairs of specific taxpayers.

I am sure that the whole House will agree that it is essential for taxpayer confidentiality to be properly protected. I therefore propose to introduce provisions in this year's Finance Bill to ensure that it will continue to be a criminal offence for officials or former officials of either of the Revenue Departments to reveal information about the private affairs of a specific taxpayer.

I would only add that the need for this protection is in no sense a reflection on the probity and integrity of the members of those two departments. Indeed, after nearly six years as Chancellor and more than eight years as a Treasury Minister, I would like to take this opportunity to pay public tribute to the outstanding service I have constantly received from the officials of both departments.

Corporation tax burden

I now turn to taxation. As I have done on a number of previous occasions, I propose to divide this into three broad sections: the taxation of business, the taxation of savings, and the taxation of personal income and spending.

First, taxes on business. Ever since the corporation tax reform I introduced in 1984, the rate of corporation tax for small companies has declined for this purpose as those with annual profits of less than £100,000, has been set at the basic rate of income tax, currently 25 per cent. Large companies, defined as those with profits of £500,000 or more, pay the main rate of corporation tax of 35 per cent, one of the lowest rates of tax on company



Peter Lilley: Economic Secretary

profits in the world. Between £100,000 and £500,000 the average rate of tax gradually rises from 25 to 35 per cent.

I propose to keep the small companies rate in line with the basic rate of income tax for 1989-90 and to leave the main corporation tax rate unchanged. But I propose to increase the small companies rate band substantially, by 50 per cent.

Rise in VAT threshold

Thus the small companies' rate will apply to companies with profits of under £150,000, and the 35 per cent rate will only be reached at profits of £750,000. These changes will reduce the corporation tax burden for more than half of all those companies that do not already enjoy the benefit of the small companies rate. I propose to increase the VAT threshold to £25,000, the maximum permitted under European Community law. I also have to set the scales for the private use of company cars. This remains far and away the most widespread benefit in kind.

When I doubled the car scales in last year's Budget, I made it clear that this still left this benefit significantly under-taxed.

Accordingly, I propose to increase the car scales by one third for 1989-90. The yield from this will be £160m in

1989-90 and £200m in 1990-91. There will be no change in the fuel scale.

Over the years I have received a number of representations from business complaining about the longstanding tax treatment of foreign exchange gains and losses. I recognise that as business becomes more global this subject becomes increasingly important. However, I have to say that I find it one of the most intractable I have encountered. Certainly, there can be no question of any change in the present system until a number of related and complex issues have been satisfactorily resolved. I have therefore authorised the Inland Revenue to publish today a consultative document which explores these issues and examines the scope for reform.

Finally, on business taxation, I have two major simplifications to propose: both of which follow from the income tax reforms I introduced last Budget.

One of the many undesirable features of an income tax system with several higher rates was that since a taxpayer's marginal rate could well be very different in different years, the question of which year income related to made a great deal of difference. This was true of Schedule E, where the strict rule is that income is taxed in the year to which it relates, on an accruals basis.

For the vast majority of employees, this basis of assessment for Schedule E poses no problem. But for about half a million people, mainly directors, who do not receive all their income in the year to which it relates, it causes complications and often needless assessments and correspondence long after the tax year is over. It is also open to manipulation.

I therefore propose that income tax under Schedule E should in future be assessed on a receipt basis, with the simple principle that you pay the tax when you receive the income. This will have a transitional cost of £20m in 1989-90 and £60m in 1990-91, but in the long term it will yield both extra revenue and a significant saving in both taxpayers' time and Inland Revenue staff.

Apportionment simplified

The reduction in the top rate of income tax to 40 per cent in last year's Budget also simplifies the rules for the apportionment of the tax regime for the vast bulk of the incorporated sector of small businesses: those known as close companies - generally speaking, unquoted companies that are controlled by five or fewer people.

The rules for the so-called apportionment of close companies' income are notoriously complex, taking up some 20 pages of impenetrable legislation. These rules are no longer needed and I propose to abolish them. I believe that family businesses in particular will welcome this substantial simplification.

I do, however, have to guard against the avoidance of tax on investment income by channeling it through a closely controlled investment company. Any such company which does not distribute the bulk of its profits and other investment income will therefore be taxed at 40 per cent, equivalent to the higher rate of income tax.

I now turn to the taxation of savings. The sharp decline in the ratio of personal saving to personal income, over the past two years in particular, has led to even more discussion than usual of the merits of providing greater tax incentives for personal saving.

Certainly it is desirable that, over the medium-term, we generate as a nation a level of saving sufficient to finance a high level of investment. But what matters for the individual is not personal saving alone, but the saving too, which is running at a historically high level, and public sector saving, which has been boosted by the move to budget surplus.

Moreover, the personal saving ratio is measured in terms of gross saving net of borrowing, and it has fallen not because of a decline in gross saving but as a result of the sharp increase in personal borrowing. And the appropriate remedy for that is to raise the cost of borrowing, and with it the return on savings, as we have done.

Personal equity plans

Above all, the role of tax reform is to encourage enterprise and improve economic performance in the medium term. It is wholly inappropriate as a response to short term or cyclical phenomena. So for the taxation of savings, the Government's policy is clear. It is to strengthen and deepen popular capitalism in Britain, by encouraging in particular wider share ownership.

I have a number of specific tax measures to announce today to that end.

Continued on next page



John Major: Chief Secretary to Treasury

to breathe new life into a moribund economy - and a clear idea of how to achieve those objectives.

Inflation is a disease of money; and monetary policy is the cure. The role of fiscal policy is to bring the public accounts into balance and keep them there, and thus underpin the process of re-establishing sound money.

Strong sustainable growth is achieved, not through any artificial stimulus, but by allowing markets to work again and restoring the enterprise culture; by removing unnecessary restrictions and controls and rolling back the frontiers of the state; by reforming trade union law and promoting all forms of capital ownership; and by reforming and reducing taxation.

Success against inflation

The first and most urgent task we faced was to damp down the inflationary fires that had raged in the seventies, and wrought so much economic and social havoc. And we suc-



Chancellor in waiting: Nigel Lawson in his office before yesterday's speech

سور اجتهاد

\$11 Billion in Real Estate Transactions in 1988.

A Representative Selection of 1988 Transactions

Inter-Continental Hotels
has been sold by
Grand Metropolitan PLC

SPTC Holding, Inc.
has completed first mortgage
bridge note financing

The May Department Stores Company
and a joint venture of The Prudential
Insurance Company of America and
Melvin Simon & Associates, Inc.,
have become partners in
May Centers Associates

Amsac, Inc.
has been acquired
by an affiliate of
JMB Realty Corp.

Sixpence Inns of America
has announced it will be
acquired by Motel 6

Hardee's Food Systems, Inc.
a wholly owned subsidiary of
Imasco Limited
has completed real estate
sale leaseback financing

Outrigger Hotels Hawaii
has announced the sale of the
Outrigger Malia Hotel
located in Honolulu, Hawaii

The Peninsula Group
a division of
The Hongkong & Shanghai Hotels, Ltd.
has purchased
Maxim's de Paris Suite Hotel
located in New York, New York

Maison Blanche
has completed
first mortgage financing on a portfolio of
department stores

Carter Hawley Hale Stores, Inc.
has completed two first mortgage
financing facilities on portfolios
of department stores

Valley Fair Mall
A partial interest in this mall
located in Santa Clara, California
has been sold by
Carter Hawley Hale Stores, Inc.

Hechinger Company
has sold and leased back
a portfolio of retail stores
located throughout the eastern
United States

**The Prudential Insurance
Company of America**
has sold a 50% interest in
Woodfield Corporate Center
located in Schaumburg, Illinois

**Metropolitan Life Insurance Company,
Carlson Real Estate Company and
Carter & Associates**
have sold
NCNB Plaza
located in Charlotte, North Carolina

**John D. and Catherine T. MacArthur
Foundation**
has sold
JDM Country Club
located in Palm Beach Gardens, Florida

Metropolitan Life Insurance Company
has announced the sale of
Metrocenter
located in Jackson, Mississippi

John Hancock Life Insurance Company
has completed the sale
of the Copley Plaza Hotel
located in Boston, Massachusetts

**The Prudential Insurance
Company of America**
has sold
Chatham Center
located in Pittsburgh, Pennsylvania

**Northwestern Mutual Life Insurance
Company**
has sold
The Francisco Torres
located in Santa Barbara, California

**The Prudential Insurance
Company of America**
has sold
a portfolio of industrial properties
located in California, Washington and
Illinois

The RREEF Funds
have announced the sale of
Loehmann's Plaza
located in Reseda, California

The Stanford Court
located in San Francisco, California
has been sold to
Stouffer Hotel Company

The Ritz-Carlton, Aspen
to be developed in Aspen, Colorado
has been capitalized with
debt and equity on behalf of
Hadid Development Companies

Northgate Mall and Northgate Square
located in Cincinnati, Ohio
have been financed

**1130 Connecticut Avenue Limited
Partnership**
has completed mortgage financing on
1130 Connecticut Avenue, N.W.
located in Washington, D.C.

Briarwood Mall
A partial interest in this mall
located in Ann Arbor, Michigan
has been sold

Forest City Enterprises, Inc.
has completed two
general obligation caps

Franklin Avenue Associates
has completed
first mortgage financing on
Franklin Avenue Office Center
located in Garden City, New York

Space Center-Tysons, Inc.
has completed mortgage financing on an
office building
located in Tysons Corner, Virginia

Hotel Bel-Air
located in Bel-Air, California and the
Hotel Hana-Maui
located in Maui, Hawaii
have been financed on behalf of
Rosewood Hotels, Inc.

**Scanticon-Princeton Executive
Conference Center and Hotel**
located in Princeton, New Jersey
has been financed on behalf of
Dansk Totalentreprise a.s.

Columbus Square Mall
located in Columbus, Georgia
has been sold by
The MaceRich Company and
Provident Life and Accident Insurance
Company

Sequoia Building Corporation
has completed
mortgage financing on
Dulles Corner Buildings Three and Four
located in Fairfax County, Virginia

Connecticut/Deales Partnership
has completed the financing of
1133 Connecticut Avenue
located in Washington, D.C.

The Palisades of Birmingham
located in Birmingham, Alabama
has been sold by
Palisades Associates
a joint venture of
Aronov Realty Company, Inc. and
C.F. Halstead Developers, Inc.

Union Station Associates
has announced the financing of
Union Station
located in Indianapolis, Indiana

Tishman West Management Corp.
has sold a 50% joint venture interest to
The Balcor Company,
a subsidiary of Shearson Lehman Hutton,
Inc.

A.J. Duoskin & Associates, Inc.
has completed
mortgage financing on a portfolio of
shopping centers
located in Virginia

MORGAN STANLEY REALTY

ARTS



Jill Bennett and John Barron

Poor Nanny

KING'S HEAD THEATRE CLUB

Sean Mathias is a young writer with watchable plays to his credit. Following the controversial *Coastwise* he has come up with *Infidelities*, an Orin Resque farcical comedy of sexual convulsion and shabby-genteel evasiveness, and *A Prayer for Wings*, the study of a stifling mother-daughter relationship. He evidently writes well for actors, to judge by the talented casts assembled for all these productions, but his newest play raises the suspicion that dialogue which reads well may survive a little round the edges under the glare of stage lights.

The family group gathered for what may be their final old Nanny's last weekend faintly recalls the late Giles Cooper's ability to peel the wallpaper from Home Counties interiors and reveal skeleton-cramped cupboards beneath the Sandersons. Except that nothing is remotely normal here to begin with, from Spooner Mother to foul-tempered crippled Father roaring abuse from his wheelchair, from the unemployed antique dealer Anthony, obsessed with loitering in public lavatories, to 35-year-old punk Andrew.

Andrew's twin, the actress Antonia, has invited her television producer lover and his unsuspecting wife. Mother's brother, the fastidiously pained Uncle Jonathan, makes the occasional reluctant appearance. The party is ministered to by a brightly nervous daily woman, incessantly making tea and apparently no contact with anybody. On second thoughts, the image of Ivy Compton Burnett on speed recurs.

The first half strikes a note of grotesquerie that needs some normality to set it off - Joe Orton's matter-of-fact tone, perhaps. Surprisingly, since the author directs his play, the delivery is simply not pointed enough, lacking Pirandellian caricature and, on the other

Martin Hoyle

Opal Loop

HAYMARKET, LEICESTER

A pull, a shrug, a stummy, a slouch. Ordinary moves, in extraordinary combinations: these are what characterise much of the work of the first generation of American post-modern dance-makers (the post-Merce Cunningham, Trisha Brown in *Shakers* generation) who emerged in the 1960s. And this ordinary-extraordinary mix is seen nowhere better than in the work of Trisha Brown.

Since the ranks of Brown's British admirers have vastly multiplied in the 1980s, it's good news that now, for the first time, a work here has joined a British dance company's repertory, and it's also quite a coup. The company is the Rambert; the work is the 1980 *Opal Loop*, which was seen and hailed here in Brown's British visits of 1983 and 1987.

Rather like Twyla Tharp's 1970s choreography, the Trisha Brown style - especially that of the late 1970s and early '80s - looks deceptively engaging, like improvisation. And its spirit is colloquial. This is democratic dance spontaneity in exalted form. Tharp's works, with their intense musicality and interaction between dancers, have a richly social atmosphere. In Brown's, by contrast, the emphasis is on soloists, equal but independent from one another and from a soundtrack. The effect is dream-like. *Opal Loop*, one of her most haunting constructions, is a chamber quartet danced in silence. In a weighted, dream-bound, pedestrian kind of manner, it floats.

Different currents pass simultaneously through the body. An arm-pull turns into a shoulder-shrug turns into a down-the-torso shimmy, while

a quick scuttle turns into a heavy, bouncing walk turns into a slide. And the dynamics keep shifting and the body's co-ordination keeps changing.

The dancer probably has to be as alert as can be while seeming to be moseying along on some giddily voluptuous trip. Occasional meetings or parallel phrases danced in unison occur as if by chance, and *Opal Loop* keeps passing, like some fluid, brisk succession of silver-lined clouds - till suddenly it coalesces into a final, fixed diagonal line of Partner-And/Or-Be-Partnered across the stage.

In this unlooked-for ending, the doublework of a couple stage centre is divided and echoed - one of them mirrored by a soloist upstage left, the other by the other soloist downstage right.

This work offers the Rambert a new and challenging language. The rippling, multiple co-ordination throughout the body; the weighty, pedestrian travelling; the loose and legible articulation of individual limbs among the limbs; these all ask a new conception of release and current through the body. I love, too, the strange ease of the neck, leaving the head free to tip and shake, even to wobble.

I saw on Saturday the four first-cast dancers in the fourth Rambert performance; they are already so well versed in its nuances that it seems likely that they will carry on growing deeper into it. Gender is not here an issue, by the way; Sue Hawkins now dances the role that once was Stephen Patrick's.

Opal Loop poses the company one problem similar to that of Sibban Davies' *Rushes* in 1987: how to project a chamber-scale work to larger audiences.

Alastair Macaulay

Pousseur's Storm Declarations

BRUSSELS

William Weaver wrote recently on this page about the Rome celebration of the French Revolution. There were more of these, in Brussels, in the first weekend of the city's brand-new contemporary music festival, *Arts Musica* (March 3-24). The "spirit of contemporary music" is its rather glibly sobriquet.

Henri Pousseur, Belgium's leading composer, had written a big work, *Declarations d'orges*, for the first symphony concert of the festival, given by the Liège Philharmonic Orchestra under Pierre Bartholomé in the Maison de la Radio. It calls for mezzo-soprano (Linda Hirst) and baritone (Omar Elrakhi), and these were not much of an argument to hang on to. Unlike in Berio's *Coro* - another vast "world-frieze" which piles on the styles, quotes, and cultural references - there was no distinct and strongly sustained line of musical thought to shore up the ramshackle structure.

It was a "fun experience," and treated as such by an overflowing Brussels audience (who had earlier cheered rough-and-ready accounts of Stockhausen's *Aspirer* and *Sixième Son*). But hardly, I guess, more than that.

The first weekend of *Arts Musica* was not packed with musical events, as happens as such longer-running ventures

as the Huddersfield and Almeida enterprises. But dominant themes are followed through the three weeks (Pousseur, Messiaen, Xenakis, Ligeti, young Belgian composers, many first performances) and variety is skilfully calculated - it is clear that the new festival fills a felt need.

Another theme which Brussels itself has helped to solidify is Art Deco: a city which has preserved so many rich examples of Art Deco architecture and decorative detail easily affords it. The great coup of the opening weekend was the special opening of the Maison Stoclet, perhaps the masterpiece of Josef Hoffmann of the Wiener Werkstätte, to an invited audience for a piano recital by Chantal Bohets of music including apt pieces by Berg and Schoenberg and more Pousseur.

The house has been unavailable for public view for some years and drew out Brussels (and many from elsewhere) like a magnet. It was an enchanted experience to sit in the little marble Stoclet concert room (a little small, in truth, for the pianist's meaty touch) and then, afterwards, to wander into the Klimt-decorated dining room, everything in perfect condition, proportion, perspective.

The festival also chimes with the magnificent *L'Art Deco in Europe* exhibition at the Palais des Beaux-Arts (March 2 - May 28), perhaps the finest of its kind ever seen. One way and another, there will be a lot to see and hear in Brussels over the next few weeks.

Max Loppert

Tabloid television rules the waves

Standards in America appear to be reaching a new low. Frank Lipsius reports

Now it can be told. Behind the scenes, the standard fare of a dowdy rich uncle with a mediocre sense of humour seethes a violent, sex-frenzied fiend, who will stop at nothing, including character assassination and mind-poisoning, to make money. Others politely call it tabloid TV, but it is better known as *Real* or *Real TV*.

The most prevalent form of this new fad on American television comes across as a parody of magazine news shows, with salacious accounts of trivial subjects. For example, the three items on one *Inside Edition* last week featured a Florida "donut shoppe" with topless waitresses; an interview with the frantic parents of a missing college student ("Do you think you'll crack?" the father was asked); and an account of men hired to entertain women aboard cruises. The owner of the donut shop, a mousy old man, said to a job applicant, "Come back when you can fill out this form."

The rest of the ten minute donut segment of the nightly half hour show consisted of cleavage, customer comments and waitresses' derrières. David Frost was the show's host when it began in January, but was replaced after a month (and a reported \$3m payoff) because he was considered a posh intellectual who was proliferating with their popularity, raise issues beyond the bounds of taste. The recreated events, often with the victim participating for the camera, blur the distinction between fact and entertainment. The manipulation of fact for sheer sensationalism is most grotesque when actual trials, which are increasingly allowed to be filmed,

are included in the standard fare of murder, rape, kidnapping and torture, as though justice, too, serves the pap mongers.

Interviews constitute the second form of sensationalist television, where hosts mix provocative guests or pick guests they can attack. Daytime interview host Geraldo Rivera

The most prevalent form of this new fad for sleaze or trash TV comes across as a parody of magazine news shows with salacious accounts of trivial subjects.

got national press coverage for having his nose broken on camera during a mêlée between white supremacists and black civil rights spokesmen.

Oprah Winfrey, known outside the talk-show circuit for her Academy Award winning role as Sofia in *The Colour Purple*, pioneered the provocative interview show locally in Chicago. When the programme was syndicated nationally in the autumn of 1986, it topped the popular, avuncular *Phil Donahue Show* as the most popular daily fare for the housebound housewife.

If interviews with male strippers characterise the daytime shows, *Max* and *Downey Jr.* exploits the same formula with an evening interview programme aimed at roughneck men.

Smoking cigarettes as he paces round the local studio, he orchestrates the reactions of the live audience as he spits sarcasm at guests. He was hauled into court for slapping a gay activist, at whom he shouted, "Keep your bodily fluids to yourself."

Such television seems at first glance to be a new plateau in the normally high standards of public decency and probity. Still, despite its national commerciality, tabloid TV arrives in the midst of eight years of hypocritical political piety; television does not even address the scourge of AIDS because of squeamishness about advocating the use of condoms.

So sex parasites as news and remains the dominant standard of public decency and probity. Still, despite its national commerciality, tabloid TV arrives in the midst of eight years of hypocritical political piety; television does not even address the scourge of AIDS because of squeamishness about advocating the use of condoms.

The shows also come at a time when networks have cut out their "broadcasting standards" (censorship) divisions. NBC has turned its censor into a marketing group selling plugs for products on programmes. Besides the cost saving, the networks eliminated censors because of the influence of music videos, which are regularly broadcast on cable TV, and have a direct impact on the networks when, for instance, Madonna introduced her latest single, "Like a Prayer," with a network-broadcast Pepsi video commercial.

Europeans may well wonder whether they can stem the spread of tabloid TV any better than previous influences, from rock 'n' roll to soap operas. The answer may seem obvious, for anyone concluding, considering that *America's Most Wanted*, one of the sensationalist shows, is produced

by a company of Rupert Murdoch's whose broadcasting ambitions in Europe are no less extravagant than his well-known desire to build a fourth network in America.

Producers and sponsors would love the shows to work outside America because they are so cheap to produce. At \$25,000 to \$50,000 a half-hour segment, they are a bargain.

The manipulation of fact for sensationalism is most grotesque when trials are included in the standard fare as though justice, too, serves the pap mongers

ment, they are one tenth the cost of network productions. They also appeal to highly desirable markets of young mothers and young males, who are often the audience sought by high-spending sponsors with cleaning products, food, beer and cars.

But there are some peculiarly American characteristics of the genre. To start with, despite the criticism expressed by officials of the Radio and Television News Directors Association, the shows are only a half-step away from existing news programmes. Local news especially concentrates on the sobbing reactions of witnesses and relatives. It bytes well for British and European programmes have they have thus far resisted this temptation.

There is luckily also much less material to draw on in Europe. A good case could be made for considering American inner cities gun-dominated banana republics, divided among rival drug gangs fighting over territory and encouraging users to support their habits with prostitution, burglary, and murder. A constant diet of hard stories would probably not have the same appeal.

Insofar as the shows get away with providing titillation in the guise of news, they also reflect the rather dismal state of the American body politic. A striking example of this that ended only last week was the opera bouffe surrounding T. Terer's nomination as American secretary of defence. The whole subject was discussed as though it belonged on *A Current Affair* or *America's Most Wanted*.

The bedrock issue was whether Tower's alleged drinking and womanizing would create too shaky or inattentive a hand on America's military arsenal.

Democrats, who control the Senate, might well have been afraid of the obstacles Tower would present to further negotiated arms reductions. That would have been a perfectly legitimate ground for rejecting the nomination, but it was not reason enough to discuss publicly. Eight years of Reaganism, following a decade preoccupied with honesty after the Nixon resignation, suffused politics with morality.

But these new salacious shows parading as news sex in politics is a close relative of sex as news, and the coverage of the whole sorry affair reflected the generally low standard of national political discussion.

Susan Moore

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ARTS GUIDE

THEATRE
London
A Walk in the Woods (Comedy). Alec Guinness and Edward Harrisman in feebly off-the-arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (980 2574, cc 639 1439).
The Secret Rapture (Tristram). Excellent new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Tushnet's Britain. The play of the year. March 25, 27 (988 2262, cc 240 7200).

Rotterdam
Erika (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thur), (413 2450).

New York
Shirley Valentine (South). Patsy Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smothering any of the Northern English edges that retain an authentic touch.
James Robinson's Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this, compact and Broadway directed and choreographed plays of the past 40 years, including *On the Town*, *West Side Story* and *Grease*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
A Charles Line (Shubert). The longest-running musical in the US has not only survived Joseph Papp's Public Theater for eight years but also updated

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Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryer. (988 9000).

London
Butterfly (Suzanne O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Beethoven's Opus Polka. This eighteenth century view of London low life by John Gay gets inspiration from its Globe Theatre setting. Ends April 9 (546 4000).

Washington
Steel Magnolias (Kennedy Center Eisenhower). Barbara Rush and June Lockhart star in this view of Southern life through the antics in a hairdressing salon. Ends April 2 (254 3870).
Beethoven's Opus Polka. This eighteenth century view of London low life by John Gay gets inspiration from its Globe Theatre setting. Ends April 9 (546 4000).

Chicago
Driving Miss Daisy (Brilliant Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

SALEROOM
Renaissance coup

Christie's has announced the sale in London on April 21 of what the auctioneers believe to be the last work remaining in the private hands of the rare 18th century Renaissance painter Antonello da Messina. The oil on panel "Christ at the Column" is the finest of a number of versions of one of Antonello's favourite subjects, a half-length of our Saviour, crowned with thorns and set against a dark background. Despite its size (30cm by 21cm - the panel may have been cut down), it is a monumental, emotionally intense image.

Exchange visits planned for Royal Opera House and Vienna Staatsoper

The Royal Opera House and the Vienna Staatsoper have agreed to a first ever exchange visit between their two opera companies - subject to substantial commercial and private sponsorship.

Planned for 1992, Bernard Haitink will take the Royal Opera to Vienna with *Peter Grimes*, *William Tell* and *The Tales of Hoffmann* over a period of two weeks, while at the same time Claudio Abbado will bring the Vienna Staatsoper to Covent Garden with *Don Carlo*, *Wozzeck* and *Die Entführung aus dem Serail*. Rossini's *William Tell* will be

Antonello's fame lies in the fact that he is alleged to have introduced the secret of oil painting to the Venetian island of Crete. He was a friend of the Venetian artists around the Venetian, to Venice. His work had a profound effect on Giovanni Bellini, thus influencing the course of Venetian painting.

The panel comes from the Cook collection, one of the greatest 18th century collections of Old Masters, and is expected to fetch a sum in the region of \$2million.

Susan Moore

a new production by John Cox, to be premiered in June 1990. Elijah Moshinsky's *Grimes* was first given in 1975 and John Schlesinger's *Hoffmann* was Offenbach in 1980 to celebrating the centenary of the composer's death.

Glyndebourne has announced the appointment of Anthony Whitworth-Jones to the post of General Administrator to succeed Brian Dickie.

Mr Whitworth-Jones joined Glyndebourne in 1981 as Opera manager of the Festival and Administrator of Glyndebourne Touring Opera.

Wednesday March 15 1989

THE BUDGET: Analysis

Very 'steady as she goes'

By Samuel Brittan

A chastened Mr Lawson

PRACTICE MAKES perfect and this being his sixth budget, Mr Nigel Lawson has had plenty of it. To make a budget like last year's eye-catching was no great feat. To make anything at all of a budget in which the net reduction in taxation is under £2bn is somewhat more impressive.

The Chancellor was asked to deliver a prudent budget that would bear down on inflation, provide incentives for savings and help the low-paid. He has succeeded on all three counts, above all the first. This budget delivers a significant fiscal tightening.

Within the constraints Mr Lawson has set himself the budget is appropriate, particularly the changes in national insurance contributions (NICs) and personal equity plans (PEPs). It is the failure to raise excise duties in line with inflation, at a cost of £1.1bn next year, that most deserves raised eyebrows, however understandable the decision in the context of the aim of bearing down on inflation.

The Chancellor now forecasts the public sector debt repayment (PSDR) in 1988-89 at £1.4bn, almost five times as much as forecast a year ago. For next year the Chancellor forecasts the same figure, a technique of disguised forecasting with which we are now familiar.

Equally familiar is the conservative forecasts of revenue not only for next year, but for all the years thereafter. The Chancellor envisages a rise in nominal revenue of a mere 9 per cent, almost exactly the same increase as in nominal GDP. The rise of nominal GDP has probably been underestimated. Be that as it may, revenue will tend to rise faster than nominal GDP, when the reduction in taxation has itself been so modest. It is not difficult to envisage a PSDR during 1989-90 of £17bn or more.

Fiscal conservatism

None the less, the stated aim of fiscal policy is to return to a balanced budget. The Chancellor was right to reject the doctrine of eliminating the public debt, but the implications are startling. He possesses the discretion to reduce taxation by at least £1.4bn and probably significantly more in future years.

Given the huge overshoot of the targets of the medium term financial strategy last year, the fiscal conservatism is justified. This is particularly true when the Treasury now forecasts the current account deficit at £1.4bn this year, up from £1.1bn as recently as the Autumn Statement.

If there is a risk in this budget it is one of overkill, leading

either to premature relaxation of monetary policy or a more severe recession than anything now envisaged. Which of the two will occur depends on what the commitments "not to accommodate increases in domestic costs by exchange rate depreciation" and to keep interest rates "as high as is needed for as long as is needed" actually mean. The risk is clear, but starting from where the UK economy is now it will be easier to remedy over-tightness than any deviation in the opposite direction.

Host of anomalies

What of the tax changes? The most important is the reform of NICs at a cost of close to £3bn in a full year. NICs attract little attention, even though they raise about three quarters as much as income tax, but in an economically inefficient and regressive manner. The changes will improve NICs considerably by eliminating two of the points at which the marginal rate of tax was infinite and making the initial step far smoother. But there remain a host of anomalies. The new lower rate is still not a proper tax allowance; employers' contributions continue to suffer from the defects now ameliorated in the case of employees' contributions; and the upper earnings limit of £25 a week remains well below the threshold of higher rate income tax.

PEPS needed pep. The changes made by the Chancellor were also in the right direction. It was wise not to add to the tax reliefs but focus, instead, on increasing the range of assets in which investments may be made. Unit and investment trusts are the most appropriate way for the great majority of individuals to hold equities.

The decision not to index the excise taxes is more difficult to defend. It may look good on the retail price index, but what will it do for the health of the public?

This was a chastened Mr Lawson, not an ebullient figure of a year ago. He repeated the well-known doctrine that "inflation is a disease of money; and monetary policy is its cure." Unfortunately, this is precisely the point on which he has failed in the recent past. But there is also an attractive prospect for the future, provided the medicine cures the patient. The Government should be able to make large tax reductions once counter-inflationary credibility has been restored. This opportunity alone must be a strong incentive for the Chancellor to stay around until next year.

Much the most important statement in the Budget speech was: "Interest rates will stay as high as is needed for as long as is needed" in order "to get on top of inflation." The Chancellor might have quite a fight on his hands to stick to his resolve.

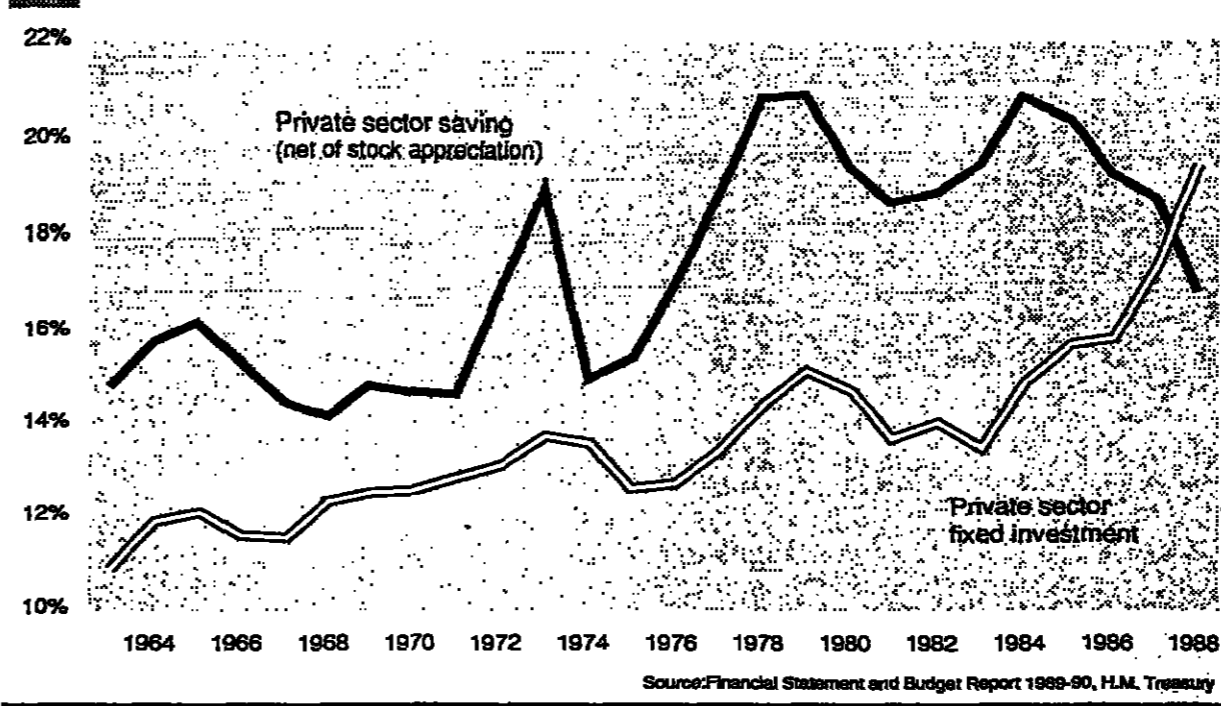
The trouble will come not only from political opponents and the business lobbyists, who attack high interest rates automatically, but from self-proclaimed monetarists. Some of them will be tempted to use the spectacular reduction in the projected six-monthly growth rate of M0 - basically notes and coins - as a pretext for taking a politically more popular path.

These will be the very same people who are unhappy that Nigel Lawson has gone even as far as he has in restoring "the Government's" clear commitment not to accommodate increases in domestic costs by exchange rate depreciation. In my view the package would have been more convincing if he had thrown down the gauntlet to the fiscal fanatics by cutting the basic rate tax by 1p, and if he had made his exchange rate policy more explicit. This could have been done within the constraints of the steady-as-she-goes Budget strategy by taking a less cautious view of the likely development of the Budget surplus in coming years.

But one must not underestimate the negative virtues. The Chancellor did firmly reject the gimmick of pretending to repay the National Debt and reiterate his commitment to a balanced Budget in the longer run. The case for the cautious projections of the Treasury and Inland Revenue, compared with those current in the City, rests in part on the extremely buoyant behaviour of investment shown in the accompanying chart. The growth of investment relative to savings - which did not fall but only levelled out when the public sector contribution is taken into account - depresses tax receipts because of the effects on depreciation allowances and other variables.

Even so, the usual erring on the side of caution is present - partly through instinct and partly to avoid giving too much of a green light to

The root of the payments deficit
 89
 Percent of money GDP at factor cost



Source: Financial Statement and Budget Report 1989-90, H.M. Treasury

spending ministers. For instance, the cumulative "fiscal adjustment" - which is code for tax cuts or spending increases - for the whole two-year period up to 1991-1992 amounts to £3bn. This is scarcely enough to finance a total cut of two percentage points in the basic rate of tax between now and the election. Even that is on the assumption that the surplus falls from £1.4bn for this year and next to £2bn by 1991-92, or scarcely more than privatisation receipts.

In terms of fiscal arithmetic, almost the only parts of the Budget worth discussing are the reform of employee National Insurance Contributions and the decision not to raise the excise duties in line with inflation.

If that is all the Chancellor felt he had available, it is difficult to quarrel

with his priorities. Those of us who have been pointing for years to the National Insurance poverty trap and the need for effective reliefs to help those at the lower end, should give full marks for a much more radical reform than most outsiders had thought at all likely. It is, moreover, one that is likely to give much more effective help to poorer wage earners than increasing thresholds, let alone cutting the basic rate of tax or other headline-making moves.

There are also some long overdue reforms which do not have a high revenue cost. The pensioners' earnings limit should have been abolished long ago. The legal small print will have to be scrutinised to see the importance of the measures to encourage employee shares and profit-related

pay. My initial impression is that the measures on employee shares could amount to a breakthrough. On the other hand, the concessions on profit-related pay are not enough to give a real push to a different system of wage payment in which a large share would fluctuate with profits.

Of course, if there is going to be a soft-landing and inflation is going to come down quickly without a recession and a labour market shakeout, these matters are not so central. But I have my doubts about the soft landing; and the Chancellor himself warned that its likelihood would depend on the wage response of employers to less buoyant market conditions.

If both nominal gross domestic product and nominal domestic demand grow by less than 8 per cent in the coming year and 6 per cent in 1990-91, I would not worry much. In that case, too, the balance of payments deficit would flatten out or decline slightly as a proportion of GDP.

But the Treasury has recently acquired a record of underestimating both nominal demand and the growth of real output. The official forecast is of real growth of 2 1/2 per cent per annum in 1989 and the first half of 1990. It is highly likely that, when all the revisions are in, growth will be found to have been much faster. But even if it is not, these rates imply only modest changes in capacity utilisation and the tightness of the labour market. And the present strategy provides inadequate safeguards against the economy operating at a rate nearer to capacity limits than is consistent with stable but slowly falling inflation - measured properly without the distortion of mortgage interest rate changes.

In the circumstances Nigel Lawson was quite right not to increase the duties on drink, tobacco and oil in line with inflation, as is the custom. Thus he avoids giving the slightest excuse to the populist RPI mentality which still has a residual influence on pay settlements.

Why then would I have liked to see the basic tax rate? Because the basic influences on inflation and demand come from monetary policy and the exchange rate. But no good forward-looking domestic indicator of monetary pressure has been discovered. The charts in the Red Book itself show the unwisdom of relying on M0, which is the only official target.

I still see little chance of the rate of UK inflation falling much below its present 5 per cent-plus underlying rate, before a next election, unless the UK is firmly inside the European Monetary System. This is obviously not an abstract general statement of theory. But it applies for historical, institutional, political and even measurement reasons to the UK at present, as it also has already done to France.

CAPITAL MARKETS

Doses of reform and guile in equal measure

For domestic capital markets, Nigel Lawson's sixth Budget is a mixture of symbolism, reform and guile.

Symbolism in the sense that abolishing the queue for capital raising in London and cancelling the gilts bought by the Bank England is of little economic significance, although the latter is a potent reminder that the gilts market is in decline; reform in the welcome boost to the sterling commercial paper market; and guile in his forecast of a declining public sector debt repayment.

Mr Lawson has for the first time revealed some of the Government's thinking as to what it would like to do with gilts. It seems that the Treasury and the Bank are going to take a more active role, which may lead to moves to restructure the market.

Such restructuring could imply the conversion of large issues into even larger ones, the targeting of particu-

larly illiquid issues for redemption and the greater use of public tenders for stock by the Bank. The authorities are recognising the need to think about the future. They need to.

The Chancellor is budgeting for the market to contract by more than 10 per cent, following a reduction in the public debt (mostly gilts) of a sixth in the past three years. While the authorities need not subsidise the market, it is in their interest that the market for the Government's debt remains liquid and efficient for as long as possible.

Mr Lawson also addressed some criticism of his policy of buying in Government debt, which it was alleged was too costly. He restated the policy that the Government's financial transactions with the private economy should have a broadly neutral impact on the financial system; and he hinted that it would be the gilts market, rather than other forms

of borrowing such as National Savings, which would contract in the face of that policy.

More curiously, he sought to justify the Bank's purchase of long-dated gilts by recourse to the language of profit and loss. The Government's decision to buy back long-dated debt was based on its assessment of "current realties and expected future yields." The longer end of the market has been expensive relative to shorter or medium-dated maturities, but how he knows the future course of yields is left unanswered. Perhaps he is truly confident of his ability to defeat inflation.

Underlining the Chancellor's comments on the market effects of his fiscal surplus is the authorities' pleasure in the rebirth of private debt markets in Britain. "The increasing volume of fixed rate sterling borrowing by companies has been a welcome development," according to the

Medium Term Financial Strategy. Removal of the Bank's oversight of companies wishing to borrow or issue equity in the London may remove impediments to the growth of this market. But the Government's decision to deregulate the sterling commercial paper market is of greater significance.

By opening up the market to a broader range of institutions - it was restricted to UK industrial companies which had net assets of £50m and is now virtually open - and scrapping the rules on the maturities which can be offered, London will have a fully integrated debt market which unites short-dated debt with longer.

The issue of sterling commercial paper is not expected to be for more than three years, although issues of five years are allowable. What may happen is that issues of sterling bonds may be made for shorter time periods, possibly as short as two years -

thereby multiplying the range of debt instruments available to companies.

Mr Lawson also reaffirmed his belief in the virtue of balanced budgets, although he forecast continued surpluses over the medium term.

But this is where his Budget does not add up. He shows the size of the surplus declining from a peak of £1.4bn in 1989-90 to £2bn in 1992-93. This seems to be based on extraordinarily cautious assessments of future tax revenues.

The Government may be attempting to deflect political attention from the surplus, especially in the light of all the criticism of Britain's ageing infrastructure, notably transport. By hiding future gains in revenue in cautious projections, Mr Lawson is also laying the ground for large cuts in taxation.

Simon Holberton

Election upset in Germany

THE CONVENTIONAL wisdom that the results of local elections are rarely a reliable pointer to the outcome of subsequent general elections has begun to waver very thin in West Germany. After the setback suffered by the ruling Christian Democrats and the surprising success of the extreme right-wing Republican party in the West Berlin election in January, it was still possible to claim that special local factors were at play. Following the outcome of last Sunday's municipal elections in the state of Hesse, which produced a similar result, such arguments are no longer credible.

Even Mr Helmut Kohl, the West German Chancellor, was forced to admit that his government, and particularly his Christian Democratic party (CDU), which saw its support decline by as much as 13 per cent to less than 37 per cent in Frankfurt, was facing a serious situation. The probability that the country's financial and business capital will now be governed by a coalition of Social Democrats (SPD) and Greens - following in the footsteps of West Berlin - is not a signal that can be ignored in government quarters.

Greater polarisation

Though the immediate beneficiary of the Hesse election will be the main opposition party, the SPD, it cannot draw too much comfort from the results either. The voting figures confirm a trend away from the traditional parties and towards a greater polarisation of the electorate. While the Social Democrats made only relatively small gains, the extreme right-wing National Democratic Party won 6.6 per cent of the vote in Frankfurt and the Greens jumped by

more than 2 per cent to more than 10 per cent.

No economic factors can adequately explain the disaffection of the German voters. Economic growth in 1988 was better than it has been for many years, the trade surplus is booming and inflation, though rising slightly, is still much lower than in West Germany's main trading partners. The reasons for the sharp decline in support for the government party must therefore be sought elsewhere.

Immigrant population

There can be little doubt that Hesse, as in Berlin, the problem of the large size of the immigrant population was an important factor boosting the extreme right-wing vote. The already large "guest" worker population has been swollen recently by an increasing flow of immigrants from Eastern Europe and even the Soviet Union. The CDU is apparently no longer capable of attracting the votes of right-wing discontents, who used to consider the late Mr Franz-Josef Strauss, the ebullient leader of the CDU's Bavarian sister party, as their natural spokesman.

Unpopular tax, health insurance and pensions reforms, the government's poor handling of the Libyan chemical plant affair and its wavering policy on nuclear weapons modernisation, are other factors which clearly played a part in alienating public opinion from the government. The next general election is not until the end of 1990, but Mr Kohl faces European elections in June and further regional polls before next year's ultimate test. If the voters are to be won back, the Chancellor cannot waste any more time in giving his government a more confident and decisive image.

Sonesta to Sonesta

■ The Aviya Sonesta, a \$120 a night hotel on the Red Sea, today becomes the Sonesta. Tabu, for Israel's retreat from the last, contentious corner of Sinai, has been. At 800 sq m enclave will revert to Egypt.

The Sonesta is one of the success stories of the Israeli hotel industry with a steady 85-90 per cent occupancy rate, despite the slump in tourism prompted by the Palestinian uprising. It has been bought by the Egyptian Government for \$38.15m, deposited on Monday in a Swiss bank. The Hebrew sign has been removed from the door. "The Aviya is dead, long live the Tabu," says its replacement - in English, but not yet in Arabic.

Tourists will change their travellers' cheques at the Bank Misr instead of the Israel Discount Bank, Switchboard, reception management offer their assistance in English, though the accent remains Hebrew.

Under an agreement between the Israeli and Egyptian governments, the hotel will continue to be run by its Israeli founder, Eli Papushado. The Moroccan-born Israeli general manager, Joe Sultan, a native Arabic-speaker, is staying on. Thus 10 years to the month after Anwar Sadat and Menachem Begin signed their peace treaty, it will be a symbol (or so they say) of the Camp David spirit. Its kitchens will remain kosher for the predominantly Jewish clientele, though it is still not clear whether they will be supervised by an Israeli or an Egyptian rabbi.

The hotel will go on buying its services and supplies from Eilat, a mile up the road. The border will stay open. About 80 per cent of the 350 Israeli staff will keep their jobs, but the figure is expected to come down to 50 per cent within three months. Papushado has offered them 175 per cent severance pay. Yesterday they were demonstrating for 350

OBSERVER

per cent. Peace, as they say in the Middle East, has its price.

Young Nick

■ Do not look down on opposition budget rebels. In 1976 Nicholas Ridley objected to the Revenue being given powers to enter premises and obtain information in cases of suspected tax fraud. He put down amendments calling for taxpayers to be allowed to break into a tax office when they suspected they were entitled to a rebate. The amendments were ruled out as being "tendered in a spirit of mockery". But some people said it was Ridley's finest hour.

British pigs

■ "British weather can be a real pig," says the outside of the invitation. And inside: "Come and see the new all-weather pig from NPD... a pig which can take all that the British climate can throw at it! In the company of the Rt Hon Lord Prior." (NPD stands for National Pig Development, not something out of German politics.)

Saudi runner

■ Bets on the front runners for the top job at the International Maritime Organisation have been thrown into disarray by the surprise entry into the race of Ghazi Othman Nazer, the Saudi Arabian Secretary-General of the Islamic Shipowners' Association. Nazer's candidacy means that votes of Arab members are unlikely to go to any of the three earlier candidates, at least on the first ballot.



Leif Nygaard, a Norwegian civil servant, has been campaigning seriously for some time, as has Thomas Mensah, IMO's Ghanaian Assistant Secretary-General. William O'Neill, the Canadian chairman of the IMO Council and head of the St Lawrence Seaway Authority, is currently touring European capitals to drum up support. He is standing on a platform of managerial competence and maritime experience, combined with sympathy for the financial strain imposed on emerging Third World fleets by IMO regulations. He is also playing the fashionable green card by stressing IMO's anti-pollution role.

Nygaard and O'Neill have the full backing of their respective governments, both of which feel they are under-represented in the higher reaches of the UN. O'Neill, a personal friend of Brian Mulroney, the Canadian Prime Minister, may

be better placed in this regard. His campaign team points out that no Canadian has headed a UN agency for 40 years. By coincidence, Canada was the first country to sign the IMO Convention in 1948.

On the side

■ The Prime Minister may be moonlighting. One M. Thatcher (Head Chef) features in the latest list of officials of the House of Lords.

Some party

■ When the going gets tough South Africa's President, P. W. Botha, has always found strength and solace in two things: his religion and his family. His greatest supporter has always been his wife Elize, the daughter of a Swellendam doctor, whom he married 46 years ago last Monday.

Long before Botha suffered the mild stroke which precipitated one of South Africa's deepest political and constitutional crises, the invitations were sent out to close friends and colleagues to attend a wedding anniversary dinner at Westbrooke, the President's official Cape Town residence. Among the invited guests was F W de Klerk, then merely the leader of the National Party in the Transvaal, and his wife Marike.

In the meantime, of course, Botha and de Klerk have become deadly political rivals, locked in a struggle which only one can win. But last night Botha was obliged to play the role of gracious host. Cape Town was agog to hear whether everyone kept their temper.

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Chancellor

BUSINESS WITH WEST GERMANY

Foreign subsidiaries

How to break through the psychological brick walls

Andrew Fisher reports that, despite its sometimes daunting regulations, West Germany can be a rewarding and challenging market



You are the head of a company which wants to expand abroad and your eyes have lit eagerly on western Europe's biggest market. With a population of 81m, West Germany seems an obvious magnet for your operation and an ideal route for deeper export penetration. The hardworking, prosperous people demand the best in what they buy and are prepared to pay for it.

But wait a moment! Isn't the German language one of western Europe's hardest? And what about that infuriating German thoroughness and addiction to rules and bureaucracy? Then there are the country's tightly hedged labour laws, making it hard to fire people whose work is not up to scratch, and its high wages.

Are you ready to cope with all this?

When you have weighed up these aspects, you can then consider whether your product or service will really appeal to German consumers, how you can find this out, and how you should get your message across.

Clearly, you will need to think long and hard about setting up in Germany. Once the decision has been made however, the results can be well worth the effort. For as well as being the world's biggest exporter, the Federal Republic is also a sizeable importer. Its flourishing export surplus has added hugely to purchasing power through Germans are also champion savers.

When talking to companies which have recently established themselves in Germany and to those who advise them, several things become apparent. While it may not seem easy at first glance, forming a subsidiary need not be that difficult. Follow the rules - there are plenty of them - use all the expert help you can get, and the way becomes smoother.

Compared with other countries, it's not that difficult establishing subsidiaries here," says Patrick Mazon, commercial attaché at the French consulate in Frankfurt. "It's easier than in France. It's a matter of will." This is important, as psychological brick walls can easily appear in Germany.

Setting up and surviving in Germany can be a bit of a shock, particularly for the unprepared small firm, according to Roger Thomas, UK commercial consul in the city. Such preparation can be made much easier by seeking help from consulates, local development bodies, or specialist advisers.

He warns: "The rules, regulations and procedures for buying a car, getting a resident's permit, setting up a business, or even opening a bank account and obtaining credit are all quite normal to German citizens who have grown up with the system, but can be quite horrific for the easy-going Brit who is used to doing all that in an afternoon back home."

While Germans are mostly helpful and friendly as well as diligent, they are not, as a rule, easy-going. For this article, the experiences of three very different companies have been looked at: Psion, a small but fast-growing UK maker of hand-held personal computers; Toys "R" Us, the big US toy retailer which is expanding worldwide; and Cisl, a French software concern specialising in defence, electronics, and aerospace applications.

Looking back, all admit that getting started in Germany took some effort, but was ultimately worthwhile. There is no substitute for actually being in the market. "The

In Germany, most employees want security and are thinking of their pension rights at a young age.

name of the game is to think German, act German, and, above all, be in Germany," asserts Thomas. The market can be both tough and rewarding. It can be a mistake for companies to think they can simply transfer their product and marketing from their home market to Germany.

"The German market is completely different," believes Rolf Kannenberg, Psion's general manager in Germany. "It is even different from Austria and Switzerland. It is certainly different from France and Belgium and much more different from operating in the English-speaking area."

Germans tend to be perfectionists. "There's no doubt," says David Elder, Psion's export manager in London, "that Germans require everything working and perfect from day one. In the UK and

France, you can get away with 90 per cent." Thus, out of a total staff of 10 in Germany, it has three technical people rather than the two it might need elsewhere. One works on a full-time hotline service to ensure a rapid follow-up to problems.

"You have to invest in technical support," says Elder. "You have to carry that overhead earlier than you would otherwise have done. Also, no matter how good the product, and Psion's business is growing in Germany with a planned annual turnover of up to DM5m, people will not buy it if the marketing is not right."

So Kannenberg has made a determined assault on large specialised dealers and distributors, aiming to line up around 30 across the country. These, in turn, serve local outlets.

Previously, his business was handled by a Hanover-based dealer, whose reach was too small for Psion's ambitions in Germany. The specialised trade dealers are the most important sales route for Psion, says Kannenberg, followed by individual firms or retailing groups like Computerland, and then by store chains like Kaufhof and Karstadt and mail order concerns.

A portable Psion computer costs nearly DM500 in Germany, excluding add-on equipment. Potential buyers with specific professional needs want to be convinced of the product's value, and will feel best served by a specialised dealer who can explain and demonstrate its advantages fully.

"People are more critical here," notes Kannenberg. "They're more demanding on quality and the price-performance relationship."

The challenges Psion faces now in Germany are those of a company on the move. Getting started was another matter. Like many other foreign, mainly British and US,

companies, it used the services of Lairco, which specialises in helping foreign businesses to start up in Germany. Lairco provides space, telephones, secretaries, and friendly advice at a cost much lower than the expenses of setting up a new office alone.

This is where Psion began, with Sheila Hartley, now office manager, as its first employee. "Without Lairco, Psion in England would have had to invest a lot more money. They couldn't have just started with me," Lairco, run by an American husband and wife team, Alexander and Bernadine Lairco, charges around DM45,000 a year (\$24,300), including 500 hours of secretarial use, for one of its offices against an estimated DM150,000 for a company starting with no local support.

"They helped with translators and things like letterheads, they even found us a butcher to supply a party when we left them," says Hartley. Today, Psion operates from smart new offices in Bad Homburg. This enables it to skirt another potential snag - high city rents. Being just outside Frankfurt, its rents are only DM19 a square metre compared with DM45 in central Frankfurt.

Once out of the Lairco fold, she found the biggest hurdle was the bureaucracy. "I saw it as a challenge. I took it in my stride. All the requirements have got to be adhered to and it is important to do them correctly. It became a matter of egoism."

Actually establishing the subsidiary - the most common form is the GmbH (*Gesellschaft mit beschränkter Haftung*), a limited company - is the least of the obstacles. That requires a minimum capital of DM50,000 (\$27,000) and can be done, with the necessary lawyers' signatures and official registration, in under two months.

More frustrating are practical matters like telephones, accommodation, furniture, cars, and, not least, staff.

Here Hartley has a few words of warning. Furniture can take up to 10 weeks to arrive, since suppliers work at first, it was a bit sparse here." For cars, too, the German practice can be frustrating. The leasing company insisted on bank guarantees for Psion's first three cars.

Talking on staff may also be a headache. A top bilingual secretary can cost DM65,000 a month. "Just hiring a secretary can be such an important first step," says Alexander Lairco. "Some look for foreign companies because they know how to take advantage of them."

Under strict labour laws, inefficient staff cannot easily be fired. On the other hand, many Germans are sceptical about working for foreign, especially small, companies - wondering how long they will last.

"We employ people at the start of each quarter," says Hartley. This is normal German practice. "In England, people tend to come and go." In Germany, most employees want security and are thinking of their pension rights at a young age. "We wanted to employ one woman as a secretary, and her husband wanted to know all about our parent and its activities." In the end, she decided the job was too risky.

To guard against disappointments on both sides, a probationary period of three months is usual for most staff, with six for managers. Also, employees expect to be paid a 13th month, though this does not necessarily mean the total sum being any different from what they would receive on a 12-month basis.

Germans are also used to better working conditions than exist in many other countries. Comments

John Brennan, head of Access Business Services, a similar operation to Lairco: "Germans expect bigger offices than maybe their chairman would occupy in the US."

That may be the least of the differences, however. At the German headquarters of Toys "R" Us in Cologne, Joseph Baczkó, president of its international division, explains how a raft of objections was thrown up by outsiders when the group considered coming to Germany.

"We were told the Germans like wooden toys and are keen on technical things. Well, we sell a lot of plastic, we are self-service, and we

There's been nothing put forward as an obstacle or a reason for not being here that has not proved to be false

sell both technical and non-technical items."

Some local manufacturers also thought Toys "R" Us would be better advised to go for 5,000 square feet instead of its usual 45,000 sq ft stores. It ignored this.

"We were told we wouldn't get the permission," adds Baczkó. "Our management has to come face to face with the conventional wisdom every day and challenge it."

The US concern has done so to the extent that it has seven stores in Germany and will have 12 by the end of the year. Its aim is 50.

Because busy young German mothers are used to hypermarkets and supermarkets, says Baczkó, they have taken to the all-embracing Toys "R" Us concept, where a

host of products is on offer all year round and not just at Christmas.

Even the limited shopping hours in Germany are not seen as a hindrance, though Baczkó does not regard them as immutable. "We didn't come to Germany just to get market share. We aim to be number one and we will be. In that way, restrictive trading practices work in our favour. We are the point of convenience for the customer."

To obtain the edge-of-town sites it requires, Toys "R" Us is prepared to argue with local authorities for as long as it takes. "There's not one site yet that we've abandoned." Where sites are not zoned for retailing, the company has to do a lot of badgering, especially where local competitors have strong influence. "We have to fight; we continue to do that every day."

Within the company, Toys "R" Us strives for harmony and informality. All staff have stock options, unusual in Germany - "a bit of sweet equity underscores the entrepreneurial drive," says Baczkó.

Staff are also encouraged to call each other by first names, definitely a rarity in German operations where titles and surnames are used. "To us, the culture is very important. If they're all going to be entrepreneurs, you can't have that type of hierarchy."

With typical American energy, Toys "R" Us has managed both to work with the German system and implant its own concept onto the retail landscape. "There's been nothing put forward as an obstacle or a reason for not being here that has not proved to be false," insists Baczkó.

Its managers clearly have to be untypical gung-ho types. Speaking as distant revelers rolled through Cologne's streets, he concluded: "If you're not ready to be here on carnival day in Cologne, you probably don't belong here."

Few newcomers have the resources or the fiercely can-do approach of Toys "R" Us. But all face basically the same problems in Germany. Dieter Gitzel, general manager of Cisl Engineering, part of Cisl software of France, agrees with Psion that distribution is a major hurdle, especially for specialised products and services. So is finding the right staff, blending both technical and sales expertise. He reckons French engineers are much better educated in information technology than Germans.

Overcoming many Germans' aversion to risk-taking is also not easy. "A lot of people strive for security and would never join a small firm. Others have the pioneer spirit and those are the ones we want." Cisl is still small in Germany, with turnover of around DM1m. But like Toys "R" Us at the other end of the scale, it is breaking new ground in a market which can pay handsome dividends if well nurtured.

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FINANCIAL TIMES

Wednesday March 15 1989

BROAD BASED
That's BTR

China overhauls trade arbitration

Foreigners will share in disputes process, Lynne Curry writes

AS CHINA'S economic relations with other countries have dramatically expanded in recent years, so too has the number of disputes involving Chinese and foreign companies.

However, the process of resolving these disputes has been hampered by widespread lack of confidence on the part of many foreigners in the machinery for handling arbitration cases inside China.

Now, in an effort to improve the situation, China is reported to have decided to allow foreigners on its arbitration panels, and is developing criteria for determining which foreigners will be allowed to do so.

Last autumn, the China International Economic and Trade Arbitration Commission issued new regulations to move the process closer to international standards. More recently, it has held meetings to decide how to choose qualified foreigners who would sit on panels with Chinese arbitrators.

"It is the urgent intention of the commission to have foreign arbitrators," said one Chinese arbitrator, "whether foreigners should participate in the arbitration process is reportedly no longer an issue, he added. The question is more one of how a panel would function with both foreign and Chinese members."

If foreigners are not allowed to participate, the Chinese know investors are unlikely to regard arbitration as a viable option

Whatever the final number of arbitrators, most will be Chinese. According to one knowledgeable observer, the total could number between 30 and 50, of which 10-20 could be foreigners.

The current case load in China is large, reportedly ranking only second or third in number of ongoing cases, after those handled by the International Chamber of Commerce in Paris. At the end of last year, the Chinese Arbitration Commission was said to be working on 200 cases and had resolved an additional 50.

The arbitration commission now has one chairman and several vice-chairmen and commissioners. Each panel currently has three arbitrators — one chosen by each party and a third selected by the first two. All are Chinese, and are drawn from a list of 40 scholars, legal experts and other specialists.

Despite the recent publication of the new rules and China's efforts to meet international arbitration standards, overseas investors have been reluctant to resolve disputes in China, preferring to take their

grievances abroad where there are more experienced arbitrators and clearly spelled-out case laws.

Most disputes involving foreigners are arbitrated in Stockholm, Paris or Zurich. The Chinese are said to prefer Sweden, which they perceive as neutral and impartial. Western lawyers say Chinese courts are more likely to uphold a decision made in Stockholm than in any other venue outside China.

"In China, there isn't a whole lot of law," one Western lawyer said. "In Sweden, there are hundreds of cases, involving various measures of damages and many other kinds of issues. In many areas, Chinese law says nothing. In Sweden, they've been dealing with these questions a lot longer."

Because of the lack of clear-cut regulations in China, at least one international law firm advises its clients that in the event of a dispute, they must agree to binding arbitration in Stockholm.

Although most foreigners would prefer to have their complaints heard elsewhere, more would be willing to accept arbitration in China if they had greater confidence in the arbitration process here, one Western lawyer said.

"If arbitration with foreigners turns out to be fair, foreigners would choose it as much more convenient and cheaper because the hearings would be in their own neighbourhood where the dispute occurred. It's hard and expensive to find Chinese interpreters in Stockholm."

Most disputes handled in China are heard in Peking. An office in the Shenzhen Special Economic Zone deals with disagreements in that area. In addition, the commission is planning to establish an arbitration branch in Shanghai.

Although the commission is adopting more internationally accepted procedures, arbitration in China differs from other courts in one significant aspect. There is a much greater cultural emphasis on negotiation, conciliation and mediation.

Resolving differences thus becomes a two-step process in which the arbitrators often

encourage the disputing parties to attempt to sort out their differences before bringing the issue to an arbitration tribunal. This is in direct contrast with Western practice, where an arbitration panel usually begins immediately making decisions about how to resolve a dispute and award damages.

If a dispute is readily resolved, the Chinese method can be cheaper. However, arguments frequently drag on for months before any decision is reached, according to several Western lawyers. Most disputes involve disagreements over trade. Arbitration on

investment in joint ventures is less common because of the feeling that "it could poison the waters" in partnership relations, one lawyer noted.

However, the volume of commercial disputes has dramatically increased in the past few years, largely because agreements signed with foreigners in the early 1980s are now coming to a conclusion.

The last payments by the Chinese to foreigners are falling due on technical transfer or technical service contracts, and it is these payments which create problems, Western lawyers said.

When equipment does not operate up to its production capacity, the Chinese often withhold payment due to the foreign party. Complaints are brought to arbitration panels primarily by Chinese, but increasingly also by foreigners.

Other disputes involve more conventional breaches of contract by both Chinese and foreigners over price increases, late arrival of goods, quality of cargo, and equipment which fails to reach its production capacity.

At the same time, full capacity has never been reached. Under the loan, China will purchase Soviet technology and equipment to improve steelmaking procedures and techniques for making seamless steel tubes and railway tracks, according to the China Daily. This is expected to increase output by about 10 per cent.

US current account deficit narrows in last quarter

By Anthony Harris in Washington

THE US CURRENT account deficit, as officially reported by the Department of Commerce, narrowed to \$31.9bn in the final quarter of 1988 from \$32.6bn in the previous quarter. It was announced yesterday. But the deficit widened to \$34.5bn when measured by income flows only.

The reported improvement was more than accounted for by a \$2.5bn mark-up of the dollar value of US direct investments abroad. This reflected the 5 per cent fall in the trade-weighted dollar exchange rate in the quarter, measured against 22 OECD countries and four newly-industrialised Asian countries.

This improvement is likely to be reversed in the figures for the first quarter of 1989 because the dollar has recovered strongly up to this point. The US reporting system, which is unlike that employed in most OECD countries, tends to produce strong current account figures when the dollar is weak, offset by weak figures when it recovers.

This factor had the reverse effect on the current account figures reported for 1988 as a whole, which show a deficit of \$135.3bn compared with a revised \$154bn for 1987. This improvement is only about half the \$33.8bn improvement reported in the merchandise account, which showed a \$17.3bn shift to capital losses on direct investment.

The capital accounts for the final quarter show strong increases both in US direct investment overseas and purchases of foreign securities and deposits and in inward investment. Outward portfolio investment rose to \$3.0bn from \$1.6bn, and direct investment rose by \$4bn to \$9.2bn.

Foreign investors were strong buyers of US bonds, with purchases of virtually all were net sellers of US equities, by \$2.2bn. Direct inward investment was \$13.4bn.

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Sales drop confirms strong rise in savings

By Anthony Harris in Washington

US RETAIL sales fell in value by 0.4 per cent in February, seasonally adjusted, according to the advance estimates published yesterday by the Census Bureau. Dollar sales have now been essentially flat since November, despite high consumer confidence and rapidly rising incomes.

This provisionally confirms the strong rise in personal savings shown in recent income and expenditure figures for the personal sector. These showed an average savings rate of 4.8 per cent in the three months to January, and 5.7 per cent in January from the 1980s to present time; it would be nice if getting the private sector debt market moving was as easy as that.

The most dramatic change is the abolition of the Bank of England's issue queue. The system worked well enough in its way, but in the modern jungle of international capital markets, the Bank's role as a lone nanny looked downright silly. There seems no reason why the market should be pro-

hibited from an uneven flow of issues, but that does not mean that the removal of the queue will affect the volume of issues either way. The irritation of standing in line is only a minor disadvantage of the domestic market; much more important are the heavy collateral and worrisome documentation, which will continue to send most companies straight to the euro-starving markets instead, leaving property companies and brewers the run of the domestic market.

The Chancellor's spring clean of the rules for short-term paper may have a stronger impact. With the needless distinctions between commercial paper, CDs and short-term corporate bonds out of the way, borrowers may increasingly discover short securities to be cheaper than going to the banks.

Life Insurance

Maybe the Chancellor was simply mugged by the life insurance lobby, or more likely his concern over the savings ratio got the better of his reformist intentions. But whatever the reason, the Budget signally failed to fulfill the industry's worst fears over taxation, and there was scarcely a share price which did not bound for joy at the news. The industry's tax bill will rise, but by nothing like the 21bn forecast by even the most optimistic. Indeed, in the context of the 25bn hit predicted by those with a lower panic threshold, yesterday's increases are scarcely worth mentioning. Though it would have been perverse to have pushed AVC's, PEP's and personal pensions with one hand and slammed the life insurance industry with the other, the fact remains that the sector could not have hoped for a better outcome if it had negotiated the deal direct with the Chancellor.

Capital markets

It is most satisfying to see the Government bouncing capital markets legislation straight from the 1980s to present time; it would be nice if getting the private sector debt market moving was as easy as that.

The most dramatic change is the abolition of the Bank of England's issue queue. The system worked well enough in its way, but in the modern jungle of international capital markets, the Bank's role as a lone nanny looked downright silly. There seems no reason why the market should be pro-

Giving the market what it wants

From a cynical viewpoint, it is unsurprising that the markets should have responded so well to Mr Lawson's performance yesterday. The constraints under which he was working meant this had to be a budget for the markets, and the foreign exchange market in particular. Hence the big numbers were just as expected: the £14bn PSDR, the 52bn tax giveaway, the forecast of an unchanged trade deficit. The question is whether the markets, having been slow to spot the slackness of last year's budget, are uncritically keen on tightness this time round; and whether, having got what they wanted, they will like the result.

Put more positively, it could be that by being quite this tight — the PSDR, for instance, could work out nearer £16bn — Mr Lawson has given himself room for manoeuvre. There are grounds for suspecting that his inflation forecast of 5 1/2 per cent in the fourth quarter assumes a point or two off mortgage rates, and the foreign exchange market, in particular, will need evidence of a pretty tough fiscal stance to let him away with that. And since the growth forecast suggests a virtual standstill in the fourth quarter, there could be a domestic case for monetary relaxation by that stage anyway.

In the meantime — almost unconnectedly, it appears — the equity market has the bit between its teeth, with the FT-SE up more than 100 points since the start of the month. Liquidity is less than ever a problem, with Goldsmith and other predators nosing around and the Government hurrying yet more money at the gilt market. If today's US trade figures go the right way, by next week the budget could be forgotten; for a while, anyway — just like last year.

Longer term

Even if equities continue their run for a week or two, the big question is whether the good news is in the markets already. If the 1988 inflation figures turn out to be anywhere near the Chancellor's forecasts then the outlook for gilts seems reasonably favourable, especially given the continuing improvement in the supply/demand balance. With equities, the position is more complex. The 15 1/2 per cent rise in the London market so far this year has made up for a lot of last year's massive underperformance, and given that short-term interest rates are now some 50 per cent higher than they were a year ago, the attraction of locking up some of these gains by putting the money on the street should not be underestimated.

This is the 13th straight year when the London equity market has risen, and given the late stage of the economic cycle investors are right to be nervous. Notwithstanding the Chancellor's brave words yesterday, there is little sign yet that the Government's anti-inflation policies are having any effect on wages; and this week's February retail sales figures are a reminder that interest rates may need to be tweaked yet again. The longer the delay, the more likely that the authorities will err on the side of overkill, and this is hardly good news for equities. If the UK economy is slowing down as rapidly as the Government is suggesting, unit labour costs will be under serious pressure and earlier 1989 profit forecasts may prove hopelessly optimistic.

But perhaps the biggest impponderable is the balance of payments. A £14bn deficit is a very big figure; and although yesterday's tough talk about interest rates will help steady in the short term, the foreign exchange markets are cautious that the next election is not all that far away — and that the Government's commitment to a high exchange rate is not sacrosanct.

FT-SE 100 Index

So Mr Lawson has removed one fear troubling an anxious industry — at least until another Budget or another Chancellor, whichever comes first. But others remain, chief among them the state of the housing market and the depressing effect that has on new business — though with the sector near a four-year relative low, it may have one enough worrying for a while.

Moscow loan to Peking is sign of warmer relations

By Colina MacDougall in London

FOR THE first time since the Sino-Soviet split 30 years ago, the Soviet Union seems set to make a development loan to China, a sign of warming relations between the communist giants in the run-up to the planned Deng-Gorbachev summit next May.

Moscow will provide \$F200m (\$125m) in low-interest credits to renovate the Bao-

Iron and Steel Works in Inner Mongolia originally built with Soviet aid, according to an official of China's Ministry of Metallurgical Industry.

Mr Sergei Kozlov, the Soviet Minister of Ferrous Metals Industry, visited China last week and offered the low interest loan. China is expected to sign the loan agreement soon, after it has been approved by

the State Planning Committee and the State Council.

A feasibility study is under way on how best to utilise the credit.

Production at Baotou, currently running at about 1.5m tonnes a year, is seriously handicapped by the complex ore available nearby. The plant has never been able to process

it satisfactorily, and full capacity has never been reached.

Under the loan, China will purchase Soviet technology and equipment to improve steelmaking procedures and techniques for making seamless steel tubes and railway tracks, according to the China Daily. This is expected to increase output by about 10 per cent.

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Moslems elect Mufti

Continued from Page 1

named by hundreds of milliamen. For several minutes, the mufti's attempt to reach a decision in one of the Kazakh muftihs, enormous black ones for those from Turkmenia, and white for the ones who have accomplished the haj, the pilgrimage to Mecca.

Joy over the election was mixed with anger at the scandal surrounding the ex-Mufti. It was left to the Mufti of Ufa, in the western Soviet Union, to list the allegations. They drew cries of anger.

It was revealed that the ex-mufti's knowledge of the Koran had been so limited that he was unable to recite from the holy book itself, he mouthed the words in time to a tape recording. That drew the biggest gasp. "This is what happens when the KGB chooses mufti," one cleric remarked.

But yesterday's congress witnessed a huge concession to the Moslems by the state: the handing over to the new Mufti of one of the holiest Moslem

relics: the 7th-century Koran of Khalif Osman, previously in possession of the Uzbek Government.

There were huge shouts of joy as the Koran was unveiled. "Ferestrodka has created this," one muftihs cried. Most of the men around me were in tears.

The gesture symbolised improved relations between the Soviet state and Moslem citizens. "Gorbachev's enemies are our enemies," cried the Mufti of Azerbaijan, to obvious approval from the muftihs — and a chuckle from the Soviet press corps.

He claimed that 1.5m copies of the Koran would be imported by the Soviet government next year, and editions would be translated into Azeri and Uzbek.

But the new Mufti was doubtless. The authorities still showed only halfhearted Moslems to undertake the haj, he said. And the Government did not yet permit free Moslem education.

The younger Moslems of Tashkent are more fiery than their elders. "We don't have any trouble with religious extremists here," said an official from the Council for Religious Affairs. But the chanting of the students was getting louder.

Botha silent on party call to give up his powers

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S beleaguered President P.W. Botha yesterday refused to comment on the outcome of Tuesday night's dramatic National Party Federal Council and Caucus meetings which effectively called on him to give up the presidential powers to Mr F.W. de Klerk, the recently elected party leader.

Party sources said it appeared he was keeping his powder dry until today's cabinet meeting, the first he will chair since suffering a mild stroke nearly two months ago. Ostensibly the main subject for discussion is the budget to be presented in parliament this morning by Mr Barend du Plessis, the Minister of Finance. Economists are expecting Mr du Plessis to keep a tight rein on government spending and raise indirect taxes in an effort to reduce inflationary pressures and provide incentives for saving and investment.

In practice the cabinet meeting is expected to provide the first indication of whether Mr Botha is now prepared to bow to the wishes of a virtually unanimous party and resign

his powers gracefully or insist on his constitutional rights.

Last week Mr Botha indicated that he would also return to parliament today to listen to the budget speech and thus publicly demonstrate his stated intention to restore the powers of president which were temporarily transferred to acting president Chris Heunis shortly after his stroke.

Mr Botha has the power to choose or dismiss his entire cabinet and could, in theory, push his opponents in this way at the cabinet meeting. But this right to choose cabinet ministers is one of the essential executive powers which the party has now decreed should be transferred to Mr de Klerk.

Up to now Mr de Klerk has sought to avoid an open showdown with Mr Botha, who in a televised interview on Sunday night said the new party leader was "being misused" in the struggle to wrest power from the lawfully elected president.

Mr Botha has angered the party by announcing without consultation that elections will not be held this year and by what many see as a contemptuous attitude towards the party.

Moslems elect Mufti

Continued from Page 1

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Lawson unveils 'cautious' budget

Continued from Page 1

envisaged at the time of the November 1988 Autumn Statement. An annual growth rate of 2.5 per cent is expected in the first half of 1990.

The Treasury envisages a sharper slowdown in the growth of domestic demand to 2.5 per cent this year and an annual 1.5 per cent in the first half of 1990 from 6.5 per cent in 1988. The Government believes British exports of goods and services will rise, advancing by a real annual 7 per cent in the

first half of 1990 after 4.5 per cent growth this year and a 1 per cent contraction in 1988. Import growth is expected to slow dramatically to an annual 3 per cent rate in the first half of 1990 from 4.5 per cent this year and 12 per cent in 1988.

Mr Lawson has revised upwards previous estimates of the current account balance of payments deficit to £14.5bn this year from £11bn earlier. At this level the 1989 current account deficit will be broadly unchanged from last year's

level. The Government expects a drop to an annual rate of £12bn in the first half of next year.

The cost of this year's Budget will mount significantly to £2.5bn in the 1990-91 financial year as the full effect of the Government's reform of National Insurance Contributions takes effect. The reform will cost £2.8bn in 1990-91.

The budget was sparing in new tax breaks for business. The main corporation tax rate of 35 per cent stays unchanged.

WORLD WEATHER			
America	100	100	100
Algeria	100	100	100
Andhra	100	100	100
Antarctica	100	100	100
Argentina	100	100	100
Australia	100	100	100
Bahamas	100	100	100
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Brazil	100	100	100
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Bulgaria	100	100	100
Burkina Faso	100	100	100
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Cameroon	100	100	100
Canada	100	100	100
Chad	100	100	100
Chile	100	100	100
China	100	100	100
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Guatemala	100	100	100
Haiti	100	100	100
Honduras	100	100	100
Hungary	100	100	100
India	100	100	100
Indonesia	100	100	100
Ireland	100	100	100
Israel	100	100	100
Italy	100	100	100
Jamaica	100	100	100
Japan	100	100	100
Jordan	100	100	100
Kazakhstan	100	100	100
Kenya	100	100	100
Korea	100	100	100
Kuwait	100	100	100
Laos	100	100	100
Latvia	100	100	100
Lebanon	100	100	100
Lesotho	100	100	100
Lithuania	100	100	100
Luxembourg	100	100	100
Madagascar	100	100	100

BROAD BASED That's BTR market

OfficePlace Computer Consumables at Compatible Prices 0845 - 22444

FINANCIAL TIMES COMPANIES & MARKETS Wednesday March 15 1989

NOMURA Local Commitment Global Capacity

Tracking Trustco across Canada

SCANDINAVIAN Airline Systems (SAS) more than doubled its profits last year in an impressive performance that reflects the continuing growth in its international business traffic.

SAS hoists income 120% to SKr3.7bn

By Robert Taylor in Oslo Mr Carlsson said SAS's 1988 operating profit before depreciation was expected to continue to grow, though he gave no specific forecast figure.

Stena group reveals 8% stake in Sea Containers

By Our Financial Staff Stena, the big Swedish ferry group, yesterday revealed it holds an 8.17 per cent stake in Sea Containers, the Bermuda-based parent company of the Sealink ferry company, and said it may propose a business combination or acquisition of all or part of the company's business.

Swap shock in the Fulham Road Concern is growing in the City of London about what at first sight appeared to be an isolated case of overtrading in the treasury department of one London borough, Hammersmith and Fulham.

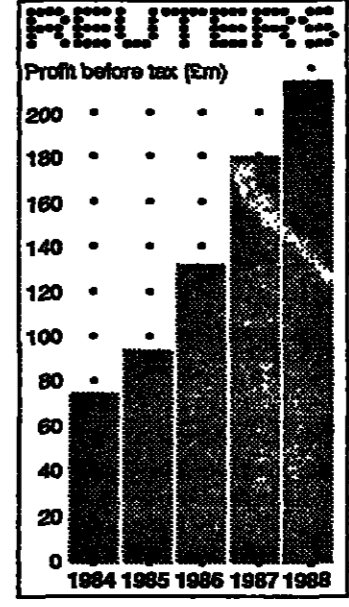
Reuters chases a forex scoop

David Waller examines the news agency's expansion strategy

Reuters recently installed one of its foreign exchange dealing systems in Tirana. While this is undoubtedly a marketing triumph - Albania is the last country in Europe to take the service - it also symbolises the end of an era for the international news and information group.



In charge of present day expansion: Mr Glen Rendrew, chief executive, comes under the watchful eye of Julius Reuter, founder of the news agency



1984 1985 1986 1987 1988

Strain in Spain falls mainly on the plane

Following the adage that adversity breeds tough men and women, management at Iberia, the Spanish national airline, could be hard hit by this summer.

Hongkong Bank profits up 20%

By Michael Marray in Hong Kong HONGKONG and Shanghai Banking Corporation, yesterday announced profits of HK\$4.3bn (US\$551.3m) for the year to December after tax and transfers to inter reserves, a healthy 19.7 per cent increase over 1987 profits of HK\$3.58bn.

WERE EXPECTATIONS OF THE BUDGET OVER-INFLATED? CALL US FOR AN INFORMED VIEW OF WHAT IT MAY MEAN FOR YOU.

Bulls shrug off worries to cash in on South Korea

Institutions are feeling bullish again in South Korea, where the stock market index has charged up by more than 50 points in the past week.

James Capel reports £32.4m loss

By David Lascelles in London and Michael Marray JAMES CAPEL, London stockbroker subsidiary of Hongkong and Shanghai Banking Corporation, has incurred a second successive year of losses, with 1988's deficit climbing from £14m (£24m) to £32.4m.

Major players go drilling for oil off coast of Vietnam

There is nothing an oil exploration company likes better than an opportunity to work in virgin territory. And this is just what companies are being offered in the waters off Vietnam.

Market Statistics table with columns for Base lending rates, Benchmark Govt bonds, European options, etc.

Companies in this section table listing various companies like ANI, BCF, BDDP, etc.

Chief price changes yesterday table listing various commodities like Coffee, Cocoa, etc.

London (Pence) table listing various stocks like Abbey Life, Anglo-Saxon, etc.

ICI to lift borrowing powers By Clare Pearson, in London ICI, the UK's biggest chemicals company, yesterday announced plans to seek approval from holders of its shares and some of its loan stocks for a significant increase in its borrowing powers.

ICI to lift borrowing powers

ICI, the UK's biggest chemicals company, yesterday announced plans to seek approval from holders of its shares and some of its loan stocks for a significant increase in its borrowing powers.

OFFICE ENVIRONMENT

The Financial Times proposes to publish a Survey on the above on

5th April 1989

For a full editorial synopsis and advertisement details, please contact:

DENIS CODY

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or write to him at:

**Bracken House, 10 Cannon Street
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

HEALTH CARE

The Financial Times proposes to publish a Survey on the above on

Tuesday 11th April 1989

For a full editorial synopsis and advertisement details, please contact:

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

INTERNATIONAL COMPANIES AND FINANCE

Andreu plays a strong hand at Iberia

Peter Bruce looks at how Spain's national airline is weathering an angry strike

If it is true that adversity breeds tough men and women, then management at Iberia, the Spanish national airline, could be rock hard by the summer.

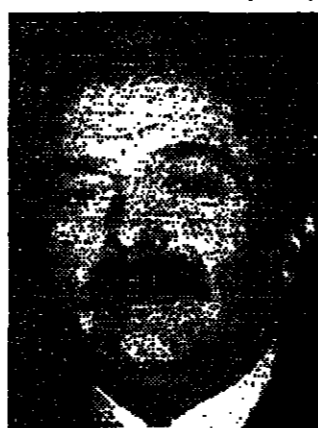
The carrier - Europe's third biggest after British Airways and Lufthansa - has been in the grip of an angry strike by Asetma, its maintenance union, since Christmas, and for most of January and February was running only two thirds of its scheduled flights.

Two weeks ago it was forced briefly to cancel all its Transatlantic flights after supervisors discovered that cables and panels on some aircraft had been sabotaged.

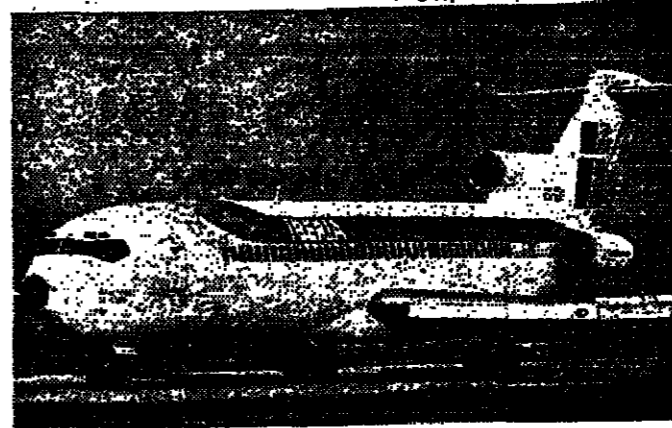
Asetma, with just 1,500 members among Iberia's 19,000 ground staff, is striking for a wage agreement of its own. Iberia has called the action illegal, because it is signatory to an unbreakable two-year wage deal for all ground personnel that ends only in December, and has refused to negotiate.

Asetma is looking for a better deal than other Iberia ground staff, and because its action, which takes the form of sporadic stoppages rather than a continuous strike, is essentially elitist, it has also embarrassed the country's main trade unions and won little outside support.

Sensing the discomfort of the large unions, Mr Narcis Andreu, the blunt, silver-haired boss hired by the Government to run Iberia in March 1988, fired 78 Asetma workers, including the strike committee, soon after the strike began.



Narcis Andreu: gradually winning the battle to regain Iberia's flight schedules



Iberia's management, faced with a wholesale revision of its timetable at the beginning of the strike, appears to have managed remarkably well. Rescheduled flights flew on time in most cases and, gradually, using new contracted labour, the airline is winning back its flight schedules.

On March 9, for instance, it flew practically all its old scheduled flights - some 425 - nearly 85 per cent of which departed on time. "Management is reacting very well," says a senior Iberia official who did not wish to be identified. "We have recovered our programme and we are getting tougher. We are winning."

They are, too. Although Mr Andreu told Parliament a few weeks ago that the strike had cost about Ptas8m (\$51.7m) so far, winter is always a bad time for Iberia. "We will still make money this year," the

official insists.

That is important for more than just the obvious reasons. The Instituto Nacional de Industria (INI) the big state holding company that owns Iberia, wants to part-privatise it soon - perhaps before the year is out - but the Spanish bosses (stock exchanges) insist on three years of unbroken profits for new entries.

The airline was losing money hand over fist when Mr Andreu took over. He cut 1988 losses by 40 per cent, broke even in 1988, made a net Ptas8m in 1987 and another Ptas20m last year from which Iberia is paying - perhaps just for practice - its first dividend in 10 years to INI.

The formula was simple. "Never run an airline for political or prestige reasons," says the official. Mr Andreu cut

unprofitable routes, reinforced flights to Europe, where he makes most of his money, and opened new routes to Tokyo, Los Angeles and Chicago.

More important was the recognition that Iberia serves, primarily, a tourist and not a business market, and that tourists pay less. The airline has become almost obsessed with high load factors - or, in plain language, full aircraft. Where Lufthansa's loading averaged out last year at around 63 per cent, Iberia's was close to 72 per cent.

The new management has also set about a wholesale modernisation of its fleet, starting last year with a Ptas1bn order for 17 McDonnell Douglas MD-90s, 15 Airbus A320s and eight A340s. The remaining 43 per cent of the fleet - including aircraft for its domestic affiliate, Aviaco - are to be replaced at a cost of

nearly 2bn and, says the official, "our fleet will be completely new by 1994."

A third string to Mr Andreu's bow will be a gradual decentralisation of the airline into clearly defined profit centres. Iberia now owns about 80 per cent of Aviaco but is to buy all of it sometime this year. In three years, management plans to transfer about 70 per cent of all peninsula air travel to Aviaco, leaving Iberia to concentrate mainly on international routes.

Mr Andreu's team is also establishing a string of strictly regional carriers, starting this month with Binter Canarias, which will fly between the Canary Islands and, later, with Binter Mediterraneo between Mallorca, Menorca and Ibiza.

The Mediterranean carrier will also fly from southern France and northern Italy to Barcelona, converting the Catalan capital into what Iberia hopes will be a second Spanish "hub." A third regional carrier may also be launched to serve northern Spain.

Asetma, which must now be dismayed by the lack of public support its strike is winning, will probably try hard to upset Iberia's Easter schedule. But it is the summer that counts for everything and Asetma has threatened to continue its action until Iberia negotiates a deal.

"We will go on to the end," the union said this week. For that matter, so, probably, will Mr Andreu. But it will be tough.

Reverse for Snia Fibre

By Alan Friedman in Milan

HIGHER operating costs and a drop in demand for acrylic fibres contributed to a 13 per cent drop in 1988 net profit at Snia Fibre, the man-made fibres unit of Italy's Snia BPD.

Consolidated net profits declined to L27.4bn (\$20.1m) from L31.5bn in 1987. The parent Snia BPD is an armaments, chemicals and fibres company controlled by the Fiat group.

The fall in Snia Fibre's pre-tax profits was even greater - 19 per cent to L41.7bn (before accounting for minority interests).

Heineken profit edges higher

By Our Financial Staff

HEINEKEN, the world's third largest brewing group, yesterday reported a slight rise in 1988 net profits to Fl 290.8m (\$138.5m) from Fl 286.7m in 1987, and plans an unchanged 1989 dividend of Fl 3.50, including an interim Fl 1.50 that has already been paid.

Pre-tax operating profit rose to Fl 537.5m from Fl 511m. Turnover increased from Fl 7,290m to Fl 8,068m.

The Amsterdam-based company also plans a one-for-four scrip issue.

Finance side hits Bergen

By Karen Fossil in Oslo

BERGEN BANK Group, one of Norway's top three banking groups, increased 1988 pre-tax profits by 34 per cent to Nkr1,870m (\$201.6m). But losses of Nkr1,180m on loans and guarantees depressed group net operating profits to Nkr124m from Nkr391m.

Problems within Bergen's finance companies weakened overall group figures. Fabis saw a big increase in loan losses to Nkr215m from Nkr96m and posted a net operating loss of Nkr248m against a Nkr60m deficit in 1987.

Reverse for Snia Fibre

By Alan Friedman in Milan

Turnover rose by 7.6 per cent to L811.8bn (\$670m) with export sales representing 53.8 per cent of total revenues.

Interest charges declined from 2.6 per cent to 1.7 per cent of total turnover last year, with net debt standing at L76.6bn; the company's net equity amounted to L286.7bn at the end of 1988.

Among the more profitable businesses last year was Novaceta, the fibre operation that produced a L11.6bn net profit and which is jointly owned by Snia and Courtaulds of the UK.

Finance side hits Bergen

By Karen Fossil in Oslo

Conversely, Nevl, Bergen's other finance company, experienced improvements with loan losses reduced to Nkr286m from Nkr560m. The unit's net operating losses were trimmed to Nkr68m from Nkr37m.

Group assets rose by 7 per cent to Nkr106.7bn. But earnings per share plunged to Nkr0.70 from Nkr0.40 as return on equity was reduced from 12.7 to 8.6 per cent.

Bergen has received board approval for a one-for-five rights issue at Nkr140 a share to raise Nkr560m.

All of these Securities have been sold. This announcement appears as a matter of record only.



European Investment Bank
ECU 100,000,000

8 7/8 per cent. Notes due 1996

Istituto Bancario San Paolo di Torino

Bankers Trust International Limited
Deutsche Bank Capital Markets Limited

Crédit Commercial de France
Swiss Bank Corporation
Investment Banking

Algemene Bank Nederland N.V.
Banco di Roma
Banque Internationale à Luxembourg S.A.
Baring Brothers & Co., Limited
Crédit Lyonnais
Credito Italiano
Kredietbank International Group
Mitsubishi Finance International Limited
Sanpaolo Bank (Austria) AG
Société Générale

Amsterdam-Rotterdam Bank N.V.
Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited
Caisse des Dépôts et Consignations
Credit Suisse First Boston Limited
Generale Bank
The Long-Term Credit Bank of Japan (Europe) S.A.
J.P. Morgan Securities Ltd.
Sanpaolo-Lariano Bank S.A.
Union Bank of Switzerland (Securities) Limited

March, 1989



LIBRA BANK PLC

EXTRACTS FROM 1988 FINANCIAL STATEMENTS

Year ended 31st December 1988

	1988	1987	1986
	£'000	£'000	£'000
CAPITAL AND RESERVES	133,671	140,616	148,061
SUBORDINATED LOANS	126,879	100,901	85,182
CASH AT BANKS, MONEY AT CALL AND SHORT NOTICE, CD'S	293,160	220,326	173,193
US/UK GOVERNMENT SECURITIES	154,711	129,265	123,861
LOANS	1,412,146	1,227,322	953,041
TOTAL ASSETS	1,965,088	1,672,877	1,371,003
PROFIT BEFORE TAX AND PROVISIONS	80,960	23,085	85,940
PROVISIONS (FOR LOAN LOSSES)	37,056	6,350	61,670
PROFIT BEFORE TAX	43,904	16,735	24,270

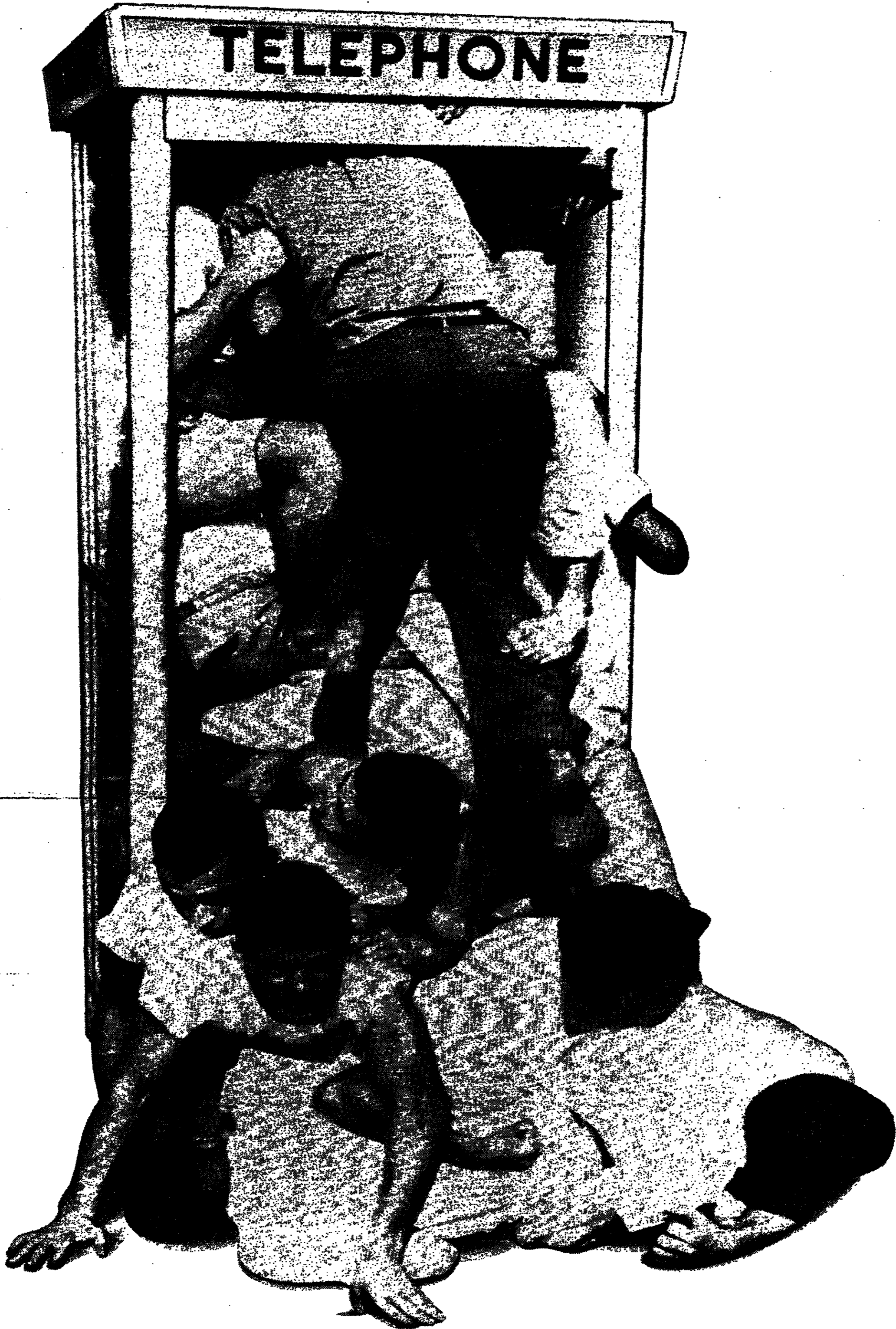
HIGHLIGHTS

- Investment banking fees of £23 million exceeded total operating expenses by over 80%
- Strong growth of investment banking income along with the receipt of past-due interest led to record profits before tax and provisions
- Reduction in Total Assets reflects increase in loan loss protection, including US\$450 million shareholder perpetual loans/deposits received in 1988
- Since year-end US\$350 million of new shares were issued to the ordinary shareholders and an equivalent amount of the shareholder perpetuals repaid
- Capital, reserves, loan loss provisions and shareholder perpetuals now equate to 42% of loan portfolio

Shareholders
The Chase Manhattan Bank, N.A. The Foyel Bank of Canada National Westminster Bank PLC
Swiss Bank Corporation Westdeutsche Landesbank Girozentrale The Mitsubishi Bank Limited
Bancomer S.N.C. Banco Ita S.A. Credito Italiano S.p.A. Banco Espírito Santo e Comercial de Lisboa

Copies of the 1988 Report and Accounts are available from the Company Secretary, Libra Bank PLC, Bastion House, 140 London Wall, London EC2Y 6DN.

Handwritten signature or mark at the bottom of the page.



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Handwritten notes in the bottom right corner, including numbers like 12/11, 12/11, 12/11, 12/11, and 12/11.

INTERNATIONAL COMPANIES AND FINANCE

BCE sets out to unlock the door to financial services
David Owen on a Canadian group's radical restructuring attempt with its bid for Montreal Trustco



Last week's C\$875m (US\$730m) offer from BCE for Montreal Trustco marks a radical departure for the Canadian conglomerate, and promises to fulfil BCE's long-cherished ambition to enter the financial services arena.

being considered, he says. Commercial enterprises in Canada are restricted in the range of financial services they can contemplate, due to regulations governing permitted cross-holdings.

telephone companies. Meanwhile, Northern Telecom, the group's majority-owned telecommunications equipment-making business, has embarked on a US\$300m restructuring programme. Further fine-tuning should be completed by the end of 1989.

he says. Although the Montreal Trust acquisition and the rapid growth exhibited by units like BCE Mobile Communications will help, Mr Cyr admits that the 50 per cent target could prove a tall order if Bell Canada's fast expansion (on the back of Ontario's prolonged economic boom) is sustained.



Notice to the holders of The Sumitomo Trust and Banking Company, Limited 2 1/2% Convertible Bonds Due 2001

Notice to the holders of The Sumitomo Trust and Banking Company, Limited 1 1/4% Convertible Bonds Due 2002

Australia and New Zealand Banking Group Limited U.S. \$200,000,000 Subordinated Floating Rate Notes due 1996

\$200,000,000 MFC Finance No.1 PLC Mortgage Backed Floating Rate Notes Due October 2023

The Bear Stearns Companies Inc (A corporation organized under the laws of the State of Delaware, USA) U.S. \$200,000,000 Floating Rate Notes due 1994

ISLE OF MAN The Financial Times proposes to publish this survey on: FRIDAY 26TH MAY 1989

Schwab to buy Chase subsidiary By Roderick Gram in New York

CHARLES SCHWAB, the largest discount securities broker in the US, is to buy Rose & Company investment broker, a subsidiary of Chase Manhattan, the banking group.

Italian bank reforms signalled

By William Dullforce in Geneva THE BANK OF Italy envisages further structural changes in the Italian financial system, including the introduction of a uniform regulatory framework for both banks and securities markets.

Banco Nacional de Angola and Sociedade Nacional de Combustiveis de Angola U.S. \$50,000,000 Crude Oil Pre-Export Finance Facility

Notice to Holders of TOKAI ELECTRICAL CONSTRUCTION CO., LTD. (The Company) Warrant to Subscribe for Shares of Common Stock of the Company, issued in Connection with the Issue of US\$70,000,000 4 1/2% Guaranteed Bonds Due 1993

THE TORONTO-DOMERON BANK GRAND CAYMAN BRANCH Yen 5,000,000,000 Floating Rate Nickel Stock Average Deposit Notes due 1992

Aurora boosts ANI profits

AUSTRALIAN National Industries, the country's leading heavy engineering group, yesterday reported a 24.4 per cent rise in interim net profits to A\$45.7m (US\$37.6m) and said that its growth prospects had been enhanced by the E188m (\$296.6m) takeover of Aurora of the UK.

MCorp Notice of Informal Meeting of Creditors 1:30 p.m. March 30, 1989 MBank Dallas Auditorium Fifth Floor Momentum Place 1717 Main Street Dallas, Texas

NORDISKA INVESTERINGSBANKEN (Nordic Investment Bank) NB US \$20,000,000 14 1/2% per cent. Bonds due 1990

Notice to Warrant Holders Bearer Warrants to subscribe for shares of common stock of Nippon Metal Industry Co., Ltd. issued in conjunction with U.S. \$80,000,000 4 per cent. Guaranteed Bonds due 1993

COMPAGNIE BANCAIRE CAPITAL INCREASE :

1 NEW SHARE AT FF 420 FOR 5 EXISTING SHARES

For Compagnie Bancaire, 1988 was a year of sustained growth in France and rapid expansion in Europe.

Although exceptional expenses entailed by the early repayment of mortgage loans seriously affected UCB's results, the Group succeeded in maintaining and even increasing profitability.

First implemented three years ago, the Group's strategy of establishing itself in every major European country by exploiting the skills of its subsidiaries has borne fruit. In 1988 six firms were set up by Group companies in West Germany, Belgium, Spain and Italy. Overall, Compagnie Bancaire's European subsidiaries already distribute 10% of new loans, and their income accounts for 3% of Group results.

Because Compagnie Bancaire intends to accelerate its growth in France and in Europe, and is determined to maintain a credit rating that keeps it in the front rank on world financial markets, it has decided to implement two capital operations of direct concern to its shareholders.

A rights issue

The capital has been increased from FF 1,409 to 1,691 (£ 154.4) million through the issue of new shares of FF 420 (£ 38.4) each. A preferential subscription right entitles existing shareholders to subscribe to one new share for five already held. This right is negotiable on the Paris Stock Exchange, and may be exercised between 27 February and 20 March 1989. The issue of shares for

cash will entitle Compagnie Bancaire to deduct a portion of the dividends paid on new shares from its taxable income over a period of eight years. Because of the premium it carries, the issue will also strengthen the capital reserves at no tax cost; it will thus make it easier for Compagnie Bancaire to pursue its traditional policy of increasing shareholders' income through the allotment of bonus shares.

A scrip issue

The management Board of Compagnie Bancaire has also decided to carry out a second issue of shares which were paid up through the capitalisation of reserves and will be allocated to shareholders as bonus shares. This operation marks yet another application (the 12th in 24 years) of the company's policy of steadily increasing its dividend. The new shares were created with rights as of 1 January 1989. They will be distributed to old and new shareholders, on the basis of one bonus share for five already held, following the completion, due on 24 April, of operations entailed by the issue of shares for cash.

These operations reflect Compagnie Bancaire's determination to keep growing, so that by 1992 it will be the leading group in Europe specialising in financial services, and to enable shareholders to enjoy the benefits their loyalty deserves as they accompany it along that road.

André Levy-Lang

André LEVY-LANG
Chairman of the Management Board

1988 KEY FIGURES

Consolidated net income	FF million	£ million (°)	New business	FF billion	£ billion (°)
Group total	1,579	144.2	New loans	68	6.2
after deducting outside shareholders' interest	1,049	95.8	Savings received	9	0.8
of which net operating income	847	77.4			
(i.e. FF 60 (£ 5.5) per share: +20%)					

(°): Amounts in £ are presented solely for convenience as of 31 December 1988 closing rate (£ 1 = FF 10.95).

■ COMPAGNIE BANCAIRE

INTERNATIONAL CAPITAL MARKETS

Two themes to dominate futures convention

By Katharine Campbell in Boca Raton

TWO ISSUES, both central to the future development of the industry, seem set to dominate this year's annual convention of the Futures Industry Association...

After a multi-million dollar 18-month investigation into futures trading, the FBI has yet to bring any indictments on Chicago traders, but this is small comfort to the two major Chicago exchanges and the Commodity Futures Trading Commission...

Panelists discussing "self-regulation" and "financial integrity in the futures markets" will thrash out how the exchanges' self-policing policies can regain credibility and the CFTC's oversight role will also come under scrutiny.

Although Congress has postponed until later in the year re-authorization of the CFTC, a regular review of the agency last undertaken in 1986, the subject will be the focus of discussion between a panel of senators and congressmen including Mr. Jim Wright, Speaker of the House. It will be particularly crucial this year that the industry's influential political guests are well catered for if the effect of the FBI investigation in Chicago is not to be tougher legislation out of Washington later in the year.

The Boca meeting is also an important forum for international regulators, who will be discussing among other things co-operation in enforcement matters. The CFTC has for some time been working on a number of bilateral agreements, the benefits of which has been forged with Britain and the Securities and Investment Board.

One or two legislative changes are required before the agreement can be fully effective. The US agency, for its part, has proposed amendments to its enabling act which will permit it to investigate firms or individuals at the behest of a foreign regulator. At present, the agency requires evidence obtained in the US before it can act.

In the meantime, UK City institutions are keen to see some of the implications of US-UK co-operation and there are those who believe that the SIB may have given too much ground. One controversial aspect of the agreement is that it appears to give the CFTC the right to demand access to trading records of UK firms that have dealt with US clients at 72 hours' notice. This and other concerns are likely to be raised at the meeting.

Another item on the regulators' agenda is the implications of Globex and similar systems. Officials representing Globex, which is being developed jointly by the Chicago Mercantile Exchange and Reuters as an electronic system for before and after-hours trading, have already persuaded a number of other exchanges around the world to consider them. They will join, though none has actually signed a formal agreement. However, the prospect of a global network of electronic trading linking the near divisions of national jurisdictions is a regulatory minefield.

SPSAL issues mortgage bonds

SECURITY PACIFIC Securities Australia, part of the US West Coast banking group, has entered the Australian mortgage bond market by issuing A\$76m (US\$61.7m) of Mortgage Trust Bonds, Renter reports.

The paper, assigned an AA- rating by the Australian Ratings agency, has a coupon of 14.75 per cent.

Maturing in 1992, the bonds will be jointly underwritten and distributed by Dominguez Barry Samuel Montagu, Balm and Co and Chase AMP Bank, which will make two-way positions and promote a secondary market.

The issue confirms SPSAL's commitment to the Australian secondary mortgage market and complements the bank's commitment to mortgage securitisation in the United States, Security Pacific said.

"The MYH issue meets a growing demand by institutional investors for high-quality, highly liquid mortgage-backed securities with attractive yields," it continued.

Depending on the success of the first tranche, Security Pacific said it planned soon to issue further tranches worth a total of between A\$100m and A\$200m.

US Treasuries rally on news of retail sales drop

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds yesterday staged a modest rally after figures were released showing that retail sales had dropped in February compared with forecasts of a rise.

By mid-session, bond prices were quoted as much as 5 1/2 point higher and the Treasury's benchmark long bond stood 1/4 point higher for a yield of 9.12 per cent.

The Commerce Department reported that retail sales fell by 0.4 per cent last month compared with expectations of an 0.4 per cent gain. January's rise of 0.6 per cent was revised upwards to an increase of 0.7 per cent.

The rally was somewhat cautious, partly because the retail sales series is notoriously volatile and partly because the market still has to digest several important economic releases this week.

Today sees the release of January trade figures as well as February industrial production and capacity utilisation.

Of key importance for markets still smarting from last Friday's strong employment release will be the producer

prices index for February, due for release on Friday.

Also of interest yesterday was the report from Congress' Joint Committee on Taxation Estimates, which forecast that President Bush's proposal to cut capital gains tax to 15 per cent would lose \$97bn in Federal revenues over the fiscal 1989 to 1990 period.

President Bush has argued that the capital gains tax cut would increase revenues.

IN West Germany, government bond prices closed on average 30 pennings firmer, partly on the view that losses earlier in the week had been overdone. Trading overall was light outside of Stock Exchange hours.

Bond prices opened firmer on the Bundesbank's announcement that it would hold a fixed-rate repurchase agreement tender with the rate unchanged from last week at 5.5 per cent.

Dealers interpreted the

fixed-rate tender as a sign that the Bundesbank does not intend any change in monetary policy at its council meeting on Thursday.

Prices gained still more ground following news that US retail sales in February fell 0.4 per cent, bastering a weaker dollar and a slight dip in US bond yields.

TRADING in UK government bonds ground to a standstill ahead of the annual budget address. Dealers noted that short-term issues lost up to 1/2 on the view that base rates will not come down any time soon and may even have to rise further.

Trading was light, with activity limited to position squaring ahead of the address. Dealers said that while few firms were willing to make prices during the speech, there was likely to be active after-market trading.

However, a more upbeat assessment of UK interest rates was seen in the futures markets where the long-term gilt contract rose more than 1/4 point even before the Chancellor's speech began.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Maturity, Price, Change, Yield, Week, Month. Rows include UK GILTS, US TREASURY, JAPAN, GERMANY, FRANCE, CANADA, NETHERLANDS, AUSTRALIA.

JAPANESE Government bonds

prices rose in unanimity after trading during the London trading day. After yields on the benchmark 111 JGB rose by about six basis points, the trend reversed sharply after encouraging news on the inflation front.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Large table with columns: Issuer, Maturity, Price, Change, Yield, Week, Month. Includes sections for US DOLLAR, YEN STRAIGHTS, OTHER STRAIGHTS, ZIRP STRAIGHTS, CONVERTIBLE, and SWISS FRANC.

GLOBAL COMMITMENT. HOW IT ACCOMPLISHED ONE OF THE LARGEST IPOs EVER IN THE EURO-EQUITY MARKET. Safra Republic Holdings S.A. International Offering of 5,500,000 Shares. Shearson Lehman Hutton logo.

REGIONAL POLICY IN THE EUROPE OF THE NINETIES. IS AN INTEGRATED EUROPE POSSIBLE GIVEN THE INEQUALITY OF ITS REGIONS? Includes a form for registration and a list of speakers.

INTERNATIONAL CAPITAL MARKETS

Japanese activity enlivens otherwise quiet trading

By Andrew Freeman

JAPANESE BORROWERS and Eurobond issuing houses were active in generally quiet markets yesterday.

Nomura International was the lead manager of a US\$850m deal for Kansai Electric Power.

The seven-year bonds carried a yield of 10 per cent and were priced at 101 1/4 to yield some 55 basis points over equivalent US Treasuries.

The issue was favourably received by traders who said it was well priced. There was comment that distribution had been somewhat hampered because the market was distracted by the UK budget in the afternoon.

A Nomura official said the issue had been sold largely in Europe and Japan, with European institutions taking most of the bonds sold yesterday.

Kansai Electric, not to be confused with Kansai Paint, which recently launched an equity warrant issue, has borrowed in the US dollar sector twice before.

National and Provincial, the latest in a recent spate of deals carrying a currency-linked redemption option was launched for Eurofima by Bankers Trust International.

UK's seventh-largest building society, issued a yen-denominated deal via IBJ International.

The ¥15bn five-year bonds carried a coupon of 5 per cent and were priced at 101 1/4.

INTERNATIONAL BONDS

standing 5 per cent 1993 issue by the Halifax building society which currently yields around 5.31 per cent.

National and Provincial Bank's recent two-tranche issue was said to be almost sold out. The seven-year bonds in particular saw steady demand and were trading at less than a bid.

A \$200 deal with equity warrants was launched for Obayashi Corporation by Nomura International.

The latest in a recent spate of deals carrying a currency-linked redemption option was launched for Eurofima by Bankers Trust International.

The exchange initially will list 23 local Bahraini companies and seven global companies.

proceeds were swapped into floating-rate US dollars.

In Germany yesterday, secondary market bond prices of supranationals rose by around 1/2 point in selective turnover.

Switzerland, the recent Inter-American Development Bank's recent two-tranche issue was said to be almost sold out.

Swaps and swaptions may be used in simple or in complex ways, to reduce or to increase risk.

Money brokers, as well as banks, have played a prominent part in courting local authorities and selling them sophisticated money market instruments such as options on swaps.

However, the current case has considerably dampened the enthusiasm of some big players.

Nevertheless, it is quite clear that, not very long ago, these sorts of innovative financing techniques were relatively easy to sell to councils.

Local authorities fall foul of swaptions

Katharine Campbell on controversy over a London borough's money management

Concern is growing in the City of London about what at first sight appeared to be an isolated case of excessive trading by the treasury department of one London borough.

Three UK local authorities have already suspended interest rate payments on swaps and related derivative instruments, pending a court decision about whether the councils were ever empowered to enter into such agreements in the first place.

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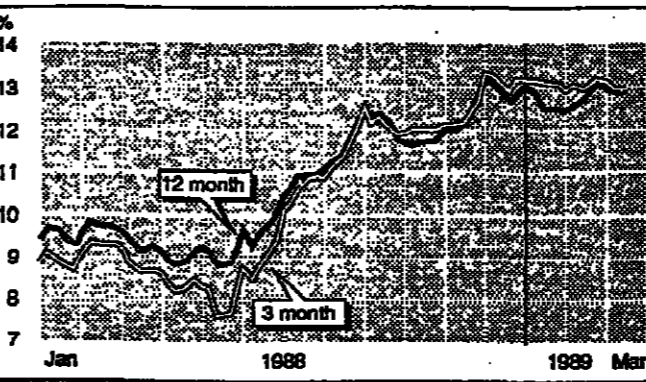
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Sterling interest rates



Jan 1988 Mar 1989

Fulham has now led to much ill-informed screaming as to the nature of swaps and swaptions and their suitability in council finance.

These instruments are like any other option, where the purchaser has the right, but not the obligation, to buy or sell an underlying commodity at some future date.

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chased - the option writer's risk is that he will have to enter into the swap when the rates are against him.

Quantifying losses without accurately forecasting interest rate levels for the next few years is, of course, impossible.

According to Phillips & Drew, the council had a nominal \$1.45bn outstanding in swaptions at the end of February, almost half of the entire portfolio.

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which overruns the authorities' accounts, cast doubt on the legality of such operations.

Towards the middle of last year, the credit implications of Hammersmith's frenetic activity became apparent to banks.

After the Audit Commission circulated the legal opinion that such transactions were ultra vires - outside their legal powers - unless they were clearly part of debt management, most banks and brokers claim they called a halt on all local authority swaptions, though a number of deals were clearly done subsequently.

Last July, Hammersmith was also instructed by the district auditor not to enter into new positions and to unwind existing ones.

According to one banker, Hammersmith's activities were on a sufficient scale and the options it was selling were sufficiently underpriced so as to cause considerable "disruption" in the market.

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NEW INTERNATIONAL BOND ISSUES

Table listing new international bond issues with columns for Issuer, Amount, Coupon, Price, Maturity, Fees, and Stock runner.

LONDON MARKET STATISTICS

Table showing London Market Statistics including FT-Actuaries Share Indices, Rises and Falls Yesterday, and London Recent Issues.

LONDON TRADED OPTIONS

Large table showing London Traded Options with columns for Option, Calls, Puts, and various market data.

FT-ACTUARIES SHARE INDICES

Table showing FT-Actuaries Share Indices for various equity groups and sub-sections.

Table showing Equity Groups & Sub-sections with columns for Index, Day's Change, and other metrics.

FIXED INTEREST

Table showing Fixed Interest rates and yields for various maturities and currencies.

FIXED INTEREST STOCKS

Table showing Fixed Interest Stocks with columns for Issue, Amount, Latest, and other details.

RIGHTS OFFERS

Table showing Rights Offers with columns for Issue, Amount, Latest, and other details.

TRADITIONAL OPTIONS

Table showing Traditional Options with columns for Issue, Amount, Latest, and other details.

UK COMPANY NEWS

**Phillips and Drew expects offer for Plessey to get the green light
A renewed bid could win the day**

By Terry Dodsworth, Industrial Editor

PHILLIPS and Drew, stockbroker to Plessey, believes there is a strong possibility of the electronics group being taken over after completion of the present Monopolies and Mergers Commission investigation into the bid from the General Electric Company and Siemens.

But the broker argues, however, that the Anglo-German consortium will be forced to pay well over its original offer price of 250p.

The Phillips and Drew analysis, contained in a report published yesterday, is based on a variety of alternatives facing both Plessey and the GEC/Siemens consortium. It gives a very high probability - 90 per cent - to the bid being cleared by the MMC, which is currently looking at the implications of the proposed takeover for the UK defence electronics industry.

In GEC's previous bid for Plessey two years ago, the offer

was blocked by the MMC following strong opposition from the Ministry of Defence. Phillips and Drew argues that the "MDD's" attitude has changed since then, with greater acceptance of overseas purchasing.

"We would be surprised if the Ministry of Defence was as opposed to GEC's bid for Plessey as it was last time," the report says. "Our conclusion is that a renewed bid by GEC-Siemens for Plessey will be allowed to proceed."

The report goes on to argue that the GEC/Siemens consortium will re-launch its battle for Plessey with an offer that is likely to be in the region of 280p - about 15p more than the market price yesterday afternoon.

It contends, however, that the consortium is unlikely to win at this price, particularly if a white knight for Plessey, and that it will have

to raise its bid to over 300p to win the day.

The study comes at a time of intense behind-the-scenes campaigning by Plessey to try to convince institutional shareholders that it has a bright future as an independent company. It also underscores the prospects for profits growth which, according to Plessey advisers, will form a key part of the group's future defence tactics.

Against pre-tax profits last year of £172m, the report is forecasting a 10 per cent increase to £190m in the year to March 1989, followed by an 18 per cent jump to £225m in the following year. The group will be helped by a rising order book, the report says, although the forecast for the current year has to take account of "well-known difficulties at GPT," the telecommunications company owned jointly with GEC.

These problems at GPT are

Palma makes £1m more profit despite lacklustre Clothkits

By Alice Rawsthorn

PALMA GROUP, the clothing under-taker, increased its pre-tax profits from £3.14m to £3.17m in 1988 despite an unexpectedly slow recovery by Clothkits, its recently acquired retail business.

Mr Peter Bailey, chairman, said the company's performance was "satisfactory" during the year. Pex, the core hosiery business fared well, but the losses from Montfort, the small knitwear company, were slightly higher.

Palma's turnover rose to £28.02m (£28.38m) and operating profits to £3.32m (£2.42m). The company paid £363,000 (£351,000) in interest on year-end gearing of about 15 per cent.

Earnings per share increased to 11.06p (7.47p). A final dividend of 2.5p is proposed, making a total of 3.7p (3p). Palma's share price rose by 5p to 135p on the announcement.

Pex, the hosiery company, contributed over 55 per cent of sales and provided the bulk of Palma's profits. Pex already dominates the children's sock market in the UK and is now expanding in men's socks. About £2m will be spent on modernising Pex's production facilities this year.

Montfort, the knitwear business that has struggled ever since Palma acquired it five years ago, traded at a loss in 1988. Palma has changed the senior management team and introduced new controls. Mr Bailey said he expected Montfort - which provided less than 10 per cent of turnover in 1988 - to become profitable this year.

Clothkits, which sells clothing through mail order and its own shops, moved into profit in the year, having made a

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Process Systems maintains recovery with \$0.2m profit

PROCESS SYSTEMS, the North Carolina-based maker of electronic systems which has a London listing, turned pre-tax losses of \$1,035m into profits of \$20.48m (£22,000) for the year to December 31.

At the six months stage pre-tax losses were \$1,200m compared with \$3.57m losses.

Total revenue for the period amounted to a lower \$1.7m

Excalibur buys ring maker for £400,000

Excalibur, the rapidly-expanding jewellery manufacturer, has acquired the whole of the issued share capital of T A Durrant for £400,000 cash.

Durrant, a ring maker, reported pre-tax profits of £24,179 for the year to April 30 1988, with net assets valued at £347,671.

Durrant will assume control of Steele and Dolphin, an existing subsidiary of Excalibur which designs and manufactures 18 carat gold rings, in order to develop its exports.

COMPANY NEWS IN BRIEF

ABERDEEN PETROLEUM has acquired interests in 25 gas wells in the Madden anticline in Wind River Basin of Wyoming, for \$900,000 (\$465,000) in cash.

ALUMINIUM GREENHOUSES: The proposed acquisition by Halls Homes and Gardens will not be referred to the Monopolies Commission.

BLENNHEIM EXHIBITIONS Group shares will be traded on the Second Marché of the Paris Stock Exchange with effect from March 15. The listing will be made by way of an introduction and will not involve any issue of new Blenheim shares. Unaudited results for first four months to December 31 last show sales of £11.3m compared with £4.9m for corresponding period of previous year.

CAMELLIA INVESTMENTS (Investment holding company): Turnover £2.64m (£3.18m) and pre-tax profits £1.73m (£1.59m) for 1988. Earnings 47.7p (47.22p) per 10p share. Proposed final dividend of 12p makes total of 59p (17p). Extraordinary credit £13,489 (£1.7m) included release of deferred tax provision no longer required.

CITYVISION has bought Entertainment Production Services, video leasing company, from

International Media Communications for £1 plus the repayment of an inter-company loan of £365,000.

CLAYHITHE and Avening Properties, 50 per cent owned by Clayhithe, are to collaborate in the property development field via the formation of a new company, Longmynd Properties. The new company will be owned as to 65 per cent by Clayhithe and 35 per cent by Avening.

COMPASS offer for Health Care Services has been declared unconditional with 89.99 per cent acceptances (11,96m shares).

COUETAULDS has sold Lancashire-based Onslow Textiles to Dewhurst Dent for just over £1m.

FINLAN GROUP has sold two adjoining properties in London's Covent Garden to an overseas development company for £11.45m. The buildings adjoin Long Acre and Bow Street.

JAYES GROUP, the household cleaning and hygiene products group, is acquiring the "Wet One" moist tissue brand from Sterling Health for £1.1m in cash. The purchase price covers the trade marks, plant, machinery and related assets.


KLEINWORT SMALLER Com-

panies Investment Trust: Net asset value at January 31 179.5p against an adjusted 163.6p a year earlier. Earnings per share for year to end-January were 3.75p (3.3p adjusted). Proposed final dividend of 2.5p for total of 3.675p (3.23p).

LEGAL & GENERAL Group has acquired Key Mortgage and Property, a mortgage broking company based in Milton Keynes. Key has 18 branch offices in several major cities throughout the UK.

MB GROUP has acquired a further 278,187 warrants from holders and believes that holders of some 93.1 per cent of warrants have now exercised or sold them to MB Group, or accepted the exchange offer. MB believes Elders Investment continues to retain its holding of 4.16m warrants.

PRECIOUS METALS Trust (Investment company): Pre-tax profits £153,000 (£417,000) for six months to January 31 1989. Interest in gold and gold related investments remained subdued with good demand for bullion, especially in the Far East, offset by producer selling. Earnings emerged at 0.9p (2.4p). Net asset value per 25p share at end-January 172.5p (175p). At March 1 the figure stood at 174.2p.



Consolidated Gold Fields PLC

MINORCO'S BID FOR GOLD FIELDS

Minorco S.A., a Luxembourg company, renewed its take-over bid for Consolidated Gold Fields last month. Minorco's offer document refers to Saturday, 18 March 1989 as the closing date for its offer.

Please note that 18 March 1989 is the first closing date and, if an offer is declared unconditional as to acceptances, under the Rules of the London Take-over Code it must always remain open for acceptances for at least a further 14 days.

Consolidated Gold Fields' response to Minorco's offer document, setting out the reasons why shareholders should reject Minorco's offer, was posted to shareholders on Thursday, 9 March 1989. Copies can be obtained free of charge from:

Consolidated Gold Fields PLC,
 31 Charles II Street, St. James's Square, London SW1Y 4AG.

Credit du Nord,
 6-8 Boulevard Haussman, 75009 Paris, France.

Union Bank of Switzerland,
 45 Bahnhofstrasse, 8021 Zurich, Switzerland.

Deutsche Bank AG,
 Tamusanlage 13, D-6000, Frankfurt 1, West Germany.

The Directors of Consolidated Gold Fields PLC (other than Mr J. Ogilvie Thompson and Mr J.H. Clarke) are the persons responsible for the information contained in this advertisement. In the event of the knowledge and belief of each Director (who has taken all reasonable care to ensure that the facts are as stated) is as stated in this advertisement. It is approved by the Directors of Consolidated Gold Fields PLC (other than Mr J. Ogilvie Thompson and Mr J.H. Clarke) (accepting responsibility accordingly).



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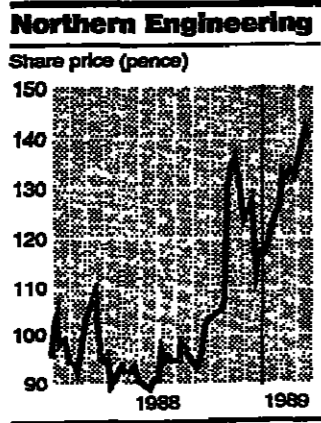
UK COMPANY NEWS

Canadian problem holds NEI increase to £6.3m

By Clare Pearson

AN UNEXPECTED problem in Canada meant Northern Engineering Industries' pre-tax profits for 1988 came out at the bottom of City expectations at \$38.5m, up from \$32.2m.

The problem, which arose mainly from overvaluation of inventory during rationalisation of the Canadian business, took some \$4m from the pre-tax result, while a loss of about £1m was taken below-the-line.



Northern Engineering Share price (pence)

not to say we may not again see the advantages of associating ourselves with a larger company." Rolls-Royce now holds a 4.7 per cent stake.

for related companies. By geographical origin, the UK was notable in providing £22.2m (£14.3m) and North America in putting in only £400,000 (£4.4m).

Mr Harrison said the precise opportunities that would arise from the upcoming privatisation of the electricity industry, and their timing, remained unclear.

French lift investment in BMP to near 8.2%

By Nikki Tait

BDDP, the French advertising agency group, has increased its stake in House Massimi Pollist, the British advertising and marketing services company, to 8.19 per cent.

The French company made a bid approach to the larger BMP group last week - but met a swift rebuff. BMP said the terms suggested were ridiculous and it described the offer as frivolous.

Canada notwithstanding, yesterday's results were seen as encouraging from a trading point of view, although Mr Harrison provided little encouragement to those still hoping for a takeover bid.

Benjamin Priest plans sell-off

By John Thornhill

BENJAMIN PRIEST Group, the West Midlands-based engineer, is to sell its Colin Stewart Minerals division to a management buy-out team for about £5.25m.

tworth, who is also a director of Benjamin Priest, will initially pay £4.75m cash. Two further payments of £250,000 will be made 12 months and 24 months after completion.

tax profit of £383,000 on turnover of £5.85m in the year to April 1 1988. Net assets at that date were £2.73m. Management accounts indicated that the company will make pre-tax profits of £600,000 in the year to March 31.

Bostrom joint venture

BOSTROM, the commercial vehicle seat manufacturer, is moving into car seats through a joint venture with BEA of France, the largest European company in the sector.

the remaining 9 per cent to be held by MMA, a marketing concern. Manufacturing for the venture will be based at Bostrom's Northampton factory.

Mr Christopher Walliker, chairman of Priest, explained that the central business did not fall within the mainstream of engineering activities.

BTR buys two US groups in \$28m deal

By Clay Harris

BTE, the industrial conglomerate, is to pay \$28m (£16.3m) for Haskon Corporation, a US manufacturer of silicone aircraft seals and compression moulded plastics, and EPCO Technologies, a maker of injection-moulded parts for toothpaste tubes.

The first store was opened in 1977 and the company moved into profit in 1980. Five hypermarkets were opened by 1983, each one causing a severe drain on resources because of the huge opening costs involved.

GRE makes £73m offer for PMPA

By Nick Bunker

GUARDIAN ROYAL Exchange, the composite insurance group, has offered £73m (£73m) to buy the business of PMPA, the Irish insurer which became one of the Irish Republic's biggest business success stories when it came close to insolvency six years ago.

At the time, its problems led to the Irish authorities placing a 2 per cent levy on motor insurance premiums to pay for its losses.

identified by Mr Kelly and the Irish Government as the preferred purchaser for PMPA, though speculation in the Irish Republic has also named the UK's Commercial Union and West Germany's Allianz as potential bidders.

The technicalities of the GRE plan are that the British group will buy a new company, capitalised at £25m, which will take over PMPA's existing business.

a motor insurer, selling direct to consumers without using intermediaries. Motor insurance accounts for about 90 per cent of its turnover.

maintain EMPA as a separately managed company, complementary to GRE's own operation there which sells principally via brokers and agents.

Parents part on amicable terms

Maggie Urry on Storehouse's disposal of its SavaCentre interest

BOTH PARENTS of the teenage SavaCentre were smiling bravely yesterday, as one - Storehouse - handed over full control to the other - J Sainsbury.



Lord Sainsbury (left), chairman of J Sainsbury, and Sir Terence Conran, chairman of Storehouse

Storehouse was not able to take dividends out of SavaCentre because profits were being ploughed back. And the prospect of investing the half share of the next £200m did not appeal.

SavaCentre, founded in 1975, has not exactly been a problem child but its growth has come in fits and starts. And in future its two parents might not agree on how the youngster's development should continue.

The two agreed to own the operation 50-50, and put in their own ranges, although it was likely that profits would not split equally between the Sainsbury and BHS merchandise.

entire another of its expansionary phases. After five years without a new store opening, four will come on stream in the space of two years.

This will be costly both in capital expenditure terms - perhaps £200m will be spent in the next three years - and the impact of opening costs and initial trading losses from the new stores on profits.

BHS as BHS and the marked changes in the merchandise since have met with Sainsbury's approval.

He saw that SavaCentre was primarily a food retailer, with the BHS merchandise making up a quarter or less of sales, though more than that in profit terms.

The parting between Sainsbury and Storehouse appears perfectly amicable, with both sides saying the £128m price put on Storehouse's half share, is fair.

For Storehouse the cash will be put to use immediately, wiping out its debt entirely. The interest saving, at current interest rates, will more than offset the lost profits from SavaCentre.

Co of Designers in £3.5m architectural expansion

By Andrew Hill

COMPANY OF Designers, the building design consultancy, has added another architectural practice to its federation of subsidiaries, buying Moxley Jenner, based in Bristol, for £3.5m in cash and shares.

CoD is to pay for the practice - which also provides town planning and landscape architecture services - with £350,000 in cash, and the issue of 8m new shares to Moxley Jenner's vendors, giving them 19 per cent of the group's enlarged capital, which they will hold for at least one year.

tion since it joined the Unlisted Securities Market just after the stock market crash in October 1987, and the group is negotiating at least two larger purchases of architecture-based practices in the north of England and the Midlands.

Mr Geoff Mansell, finance director, said that by the end of its financial year in September, CoD could be capable of turning over £20m annually - against £9.8m in 1987-88 - and might employ 500 or 600 people, compared with 400 following yesterday's acquisition.

DIVIDENDS ANNOUNCED

Table with 5 columns: Current payment, Date of payment, Corres. pending dividend, Total for year, Total last year. Lists dividends for AAF Investment, Camellia Irve, Hickson Int'l, Kerry Group, etc.

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. \$USM stock. \$UK unquoted stock. ‡Third market. RUS cents. @Irish currency.

BOARD MEETINGS

The following companies have notified their board meetings to the Stock Exchange. Meetings are held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the sub-dividends shown below are based mainly on last year's financials.

Table listing board meetings for companies like Alcan, Bovington, House of Lords, etc., with dates and times.

IMPORTANT NOTICE TO ALL EXPATRIATES - SAUDI ARABIA

If you were employed in the Kingdom of Saudi Arabia between 1973 and 1987 you might well be entitled to a refund of the GOSI contributions relating to your employment.

To enable us to establish your rights we need to hear from you as soon as possible. For advice: Telephone: 0476-72410 Facsimile: 0476-65077

LEGAL NOTICE

No 08677 of 1988 IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION IN THE MATTER OF BLEASDALE COMPUTER SYSTEMS PLC and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 19th February 1988 confirming the reduction of the Share Premium Account of the above named company by £261,145 was registered by the Registrar of Companies on 23rd February 1988.

Advertisement for Gartmore's free Budget '89 Investment Report cassette. Includes a cassette player graphic, headline 'Sound advice.', and contact information for Gartmore Fund Managers Ltd.

Kerry profits rise by 52%

Kerry Group, the USM-quoted Irish dairy produce and meat processor, achieved a 52 per cent increase in pre-tax profits for 1988 on turnover up 36 per cent from £291.25m to £396.72m (£331m).

Profits stood at £12.8m (£8.11m) and earnings per share were up 42 per cent to 9.4p (6.59p). The final dividend is 1.5p (1.12p) on the A ordinary shares making a total of 1.5p (1.65p).

Notice to the Holders of Warrants to subscribe for shares of common stock of Rohm Company Limited

U.S. \$80,000,000 3% per cent. Guaranteed Notes due 1991 ('91 Warrants') and U.S. \$70,000,000 4% per cent. Guaranteed Notes due 1993 ('93 Warrants')

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EXECUTIVE OPPORTUNITIES

Our client, a major German Bank, plans to establish subsidiaries in the IFSC Dublin to engage in international capital market fundraising, asset management, securities trading, corporate finance and leasing. We have been retained to recruit the following:

Senior Portfolio Manager Ref No: 3601

Reporting to the Managing Director, the person appointed will be responsible for supervising the investment activities of various operating companies, the portfolios of which will consist of bonds, notes and other fixed income securities denominated in US dollars and other leading European currencies.

Candidates, preferably in the 30 - 35 age group, will be Portfolio Managers with at least 5 years' experience in an internationally-oriented money management institution. A demonstrable record of investment performance together with a university degree and mature interpersonal skills will be required. A knowledge of German would be beneficial.

Senior Corporate Accountant — Investments Ref No: 3602

Reporting to the Managing Director, the appointee will be responsible for maintenance of the accounting records and investment portfolio of each of the operating companies, pricing security positions and ensuring that all trades are properly recorded.

Candidates will be Chartered Accountants, preferably in the 28 - 34 age group, with five years' corporate accounting experience, at least three of which were spent in an investment-oriented environment. The position will require good communication skills and preferably a knowledge of German.

Information Systems Manager Ref No: 3603

Reporting to the Managing Director, the person appointed will initially participate in the selection and installation of an appropriate system. Ongoing responsibilities will include monitoring the security and the integrity of the system and provision of support to line personnel.

Candidates, preferably in the 28 - 34 age group, will be strong I.S. professionals with at least 3 years' practical experience to a state-of-the-art systems environment with special emphasis on micro computer based local and wide area networks. The successful candidate is likely to come from a banking, brokerage or insurance firm.

The remuneration packages for these positions will be very attractive and will reflect the seniority and importance of the appointments.

Candidates should send full personal, career and salary details to Brian Ward, Stokes Kennedy Crowley Management Consultants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland quoting the appropriate Reference Number.

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Write to Box A1168, Financial Times, 10 Cannon Street, London EC4P 4BY

FUTURES ANALYST

Available technical analyst, mid 20s, equity market experience, seeks development of skills in broad range of futures markets. Progression towards account management desirable. Personal attention to make application a success.

Write Box A1174, Financial Times, 10 Cannon Street, London EC4P 4BY

TRADER/INVESTMENT BANKER

US Ivy grad, mid-30s, winner US Investment bank, exp. equity high-yield. The right position with based firm with Caribbean, Latin or S. America branches. Ideal person for new business development. Salary and bonus commensurate.

Write Box A1178, Financial Times, 10 Cannon Street, London EC4P 4BY

Moscow Narodny Bank Limited

Challenging Opportunities in Project Finance

£ Negotiable + Banking Benefits

The Bank
Moscow Narodny Bank is a Soviet owned British Bank incorporated in the City of London. Following the restructuring of its activities, the Bank is aggressively pursuing a strategy aimed at enhancing profitability and market profile by diversifying into new markets and products. The Bank has a long term commitment to Project Finance and is rapidly gaining market prominence as an advisory and lead bank in this field.

The Opportunities
The Project Finance team needs to recruit additional professionals to meet the growth of its business. They should be capable of taking responsibility for delivering specialist advice to an expanding international client base and developing innovative financial packages for asset based and limited recourse financing of both East-West and West-West projects.

The team is uniquely placed to provide immediate challenges and opportunities for individuals to apply their skills and experience at various levels.

The Individuals
A graduate or professionally qualified, you are likely to be aged 25-35 with at least 2 years relevant experience. You will be outgoing, articulate and experienced in computer modelling and cash flow based analysis, preferably in limited recourse financing applications. Experience in treasury and capital market products and fluency in one or more foreign languages would be an advantage, but not essential.

The Benefits
An attractive package of salary and banking benefits will be provided commensurate with qualifications and experience.

Applicants should send a detailed C.V. together with a covering letter to John Glover, Senior Manager, Personnel, Moscow Narodny Bank Limited, 81 King William Street, London, EC4P 4JS.

UK CORPORATE LENDING

combining technical skills with entrepreneurial flair

The growth rate in the UK Corporate lending area of this European Bank has been nothing short of dramatic. Based, naturally, on sound lending canons, but applying an innovative, entrepreneurial approach, success has been achieved by speed of reaction and sheer professionalism. Expansion continues apace and we are now looking for at least one experienced lender to join a busy team. The current age structure and the need for good, solid experience suggests that ideal candidates will be in their early thirties.

An ACIB qualification to complement first class technical abilities in the construction of deals will be of particular interest and the type of thorough grounding usually gained in a Clearing

Bank environment will appeal greatly. Marketing skills, and the ability to apply creative solutions to complex proposals are obviously important but the key personal qualities of drive and enthusiasm are paramount.

Appointments will be made at a senior level so that the salary and benefits package has been geared to reflect accordingly and is unlikely to disappoint the best.

Please send full career details quoting reference A1640 to Stewart Henderson at Codd Johnson Harris, 12 New Burlington Street, London W1X 1FF, or alternatively telephone 01-287 7007 for a preliminary discussion.

CJH Codd-Johnson-Harris

SECURITIES TRADING

£ Negotiable

As a leading firm in the Options markets we are currently recruiting trainees to join an established trading team.

Trading as market makers we use computer driven mathematical pricing models and arbitrage strategies with the support of office based research and risk management functions. These techniques make great demands on the team work, quantitative skills and technical expertise of all concerned.

Successful candidates will show both an ability to master mathematical concepts and the high level of numeracy required of trading. They will have degree level qualifications and the motivation to gain results through teamwork. No specific academic qualifications or work experience are mandatory but a track record of achievement, particularly through teamwork, is essential. In return they can expect full training, early responsibility and just rewards from a performance based remuneration policy. The starting salary offered will be commensurate with age, ability and work experience.

Applicants should write to Gabrielle Moffat at the address below with full Curriculum Vitae and covering letter.
City Tower, Level 6, 40 Basinghall Street, London EC2V 5DE

SALES MANAGER

Financial i, the leading producer of information and training videos designed specifically for the international financial community, wishes to expand its sales team with the appointment of another Sales Manager to take responsibility for selling its products to major banks and financial institutions worldwide. The successful candidate will have a thorough knowledge of the City and will possess keen selling skills. Preferred age range is 30 to 50. The post is London based but involves extensive travel. Basic salary plus generous commission.

Please reply to Nigel Griffiths, Director

Financial i Ltd
250 King's Road
London, SW3 5JZ
Tel (01) 351 6955
Fax (01) 351 6950



JAPANESE CONNECTIONS

FUND MANAGER - JAPANESE TRUST BANK Neg K
A Professional Fund Manager - minimum 3 years experience in the fixed income and UK/European equities with a proven performance in the management of institutional funds. An attractive package.

CAPITAL MARKETS Neg K
Two international financial houses are looking for MBAs with ambition to join their New Products/SWAP financing team. Excellent package offered.

JAPANESE EQUITIES Circa 50K
Senior Japanese Equities sales position for large UK institution. Another position with a start-up team is also available with a reputable international house. Package NEG. A.A.E.

PROPERTY MARKETING OFFICER - JAPANESE BANK Circa 30K
To join the young property lending market team. A good banking background with commercial property lending experience or a chartered surveyor with property development experience.

CREDIT ANALYST - JAPANESE TRUST BANK Circa 22K
Applicant should have good credit skills with several years experience ACIB qualification essential preferably with an international banking background.

PLEASE CALL IRMA GILL OR DAVID HILL
ON 01 796 4615.
4B FREDERICK'S PLACE
EC2R 8AB

RECRUITMENT

Project Finance

This AAA rated international bank is experiencing considerable expansion across the range of its banking activities. It has established a first-class reputation in a number of markets including project finance wherein the team handles the evaluation, development and financing of projects in the oil and gas, infrastructure, and electric power generation sectors. As part of the Bank's strategy for growth, they currently seek an additional officer for this high profile group.

Ideally aged 26-35, you will be a numerate graduate with advanced PC modelling skills. You will have 2-5 years' experience of financial analysis gained within either a banking or an industrial environment.

Working within a small team, your primary responsibilities will be the development of cash-flow models and the financial analysis essential to project finance transactions. Applicants with additional experience could have the opportunity to specialise in a particular market sector and manage deals from origination to closing. Successful candidates can expect a varied and long-term career within one of the world's most respected banking organisations. Normal banking benefits will apply.

Interested applicants should contact Mark Hartshorne on 01-831 2000 or write to him at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

APPOINTMENTS WANTED

Young I.L.D., MBA, multilingual (8),

US real estate broker licence, 5 years with bank and real estate company, looking for interesting opportunity among others in international real estate and/or investment banking with base in London, Paris, Luxembourg.
Phone: 41 21 265739 (Switzerland)
M. Engelbert.



JAPANESE ANALYSIS/SALES

We are a major force in the worldwide marketing of Japanese securities. A vacancy has arisen in our London office for a person experienced in the interpretation and dissemination of research material written in our Tokyo office. An important aspect of this position, will be the marketing of this research to Japanese institutions in the UK and Continental Europe.

A fully competitive remuneration package will be offered to the right candidate.
Reply in writing to:
Les Jones, W.I. Carr (Overseas) Limited
No.1 London Bridge, London SE1 9TJ

Williams & Broë

Equity Sales

We are expanding our European Equity Department and wish to recruit additional salesmen. The ideal candidate will be between 25 and 30 years old, have a degree, some sales experience, a research background and at least one Continental European language.

Apply to:

N.R. Woodfield
Williams & Broë Limited
P.O. Box 515, 6 Broadgate, London EC2M 2RP

Manager Loans Administration

c £25,000

Car +
Mortgage
Subsidy

Our client, an established City banking subsidiary of a North American financial institution wishes to strengthen the Loans Administration function which embraces all aspects of corporate and mortgage lending.

The successful candidate will be an experienced banking administrator with the following attributes.

- * Strong People Management Skills
- * Experience of loans administration
- * Practical experience of the Kipiti banking system - would be an advantage
- * A relevant professional qualification is desirable
- * Preferred age 30 - 35

In addition to an attractive salary a comprehensive range of benefits include company car, mortgage subsidy, pension & life assurance, private medical cover and loan facility.

Please write with your career details, in the first instance, to B. J. Wood (Ref. ML/015), C. P. Wakefield Limited, 153 Fleet Street, London EC4A 2DH.

All replies will be acknowledged and forwarded to our Client, so please indicate if there are any companies in which you would not be interested.

Pensions Co-ordinator

Newly created position for a pensions professional
Peak District
To £25,000 + Car

Our client, a new entrant in the private sector under the Government's privatisation programme is long established in the engineering and manufacturing industry and is now embarking upon a major development of its business. Turnover is around £300m.

A new pension scheme is to be established with assets in excess of £100m and membership will be around 8,000 employees. Reporting to the Personnel Manager you will be actively involved in the initial stages of setting up the administrative service and you will then assume responsibility for its efficient operation. As the Company's pensions expert you will be expected to co-ordinate the views of professional advisers and to make a significant

input to pensions policy.

Probably in your thirties or forties you possess an appropriate professional qualification and have several years experience of administering a substantial pension scheme. You will have the maturity and flair to balance the demands of professionalism and commercialism.

Salary will be dependent upon experience. Benefits will include car, pension scheme, BUPA and PHI. Assistance with relocation will be offered where appropriate.

Please write in confidence with full career details, current salary and a day-time telephone number quoting the reference B.21253 to Lynne Stevens.

MSL International

MSL International (UK) Ltd.
32 Aybrook Street, London W1M 9JL.
Offices in Europe, the Americas, Australasia and Asia Pacific.

Wall Street Securities House

Senior Compliance Officer c. £40k + Benefits

We invite applications for the post of Senior Compliance Officer with this well established US Securities House.

Reporting to the Chief Financial Officer in London, the successful candidate will lead a team which has laid the groundwork for compliance with TSA/AFBD regulations.

The Senior Compliance Officer will be responsible for maintaining and developing existing compliance policies and procedures and representing the firm both to regulatory bodies and to other professionals in the compliance industry. An important aspect will be to liaise closely with senior

management on established and new products and to advise upon legal issues.

Candidates will have sound compliance knowledge, possibly gained within the legal and accountancy professions or a regulatory body. Knowledge of US regulation would be an advantage. However, it is essential that all candidates have authority, presence and a versatile and enquiring mind.

For a confidential discussion regarding this appointment, please contact Karin Clarke on 01-831 2000 or write to her enclosing career details at Michael Page City, 39-41 Parker Street, London WC2B 5LH.



Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Marketing Officer

To £30,000 + Benefits

A niche player in the UK Corporate market currently seeks a marketing officer to complement its existing team. The ideal candidate will have had extensive exposure to small and medium sized corporates and understand the particular needs and problems associated with this competitive sector.

The bank now seeks to further capitalise on its existing client base and to exploit new areas of the UK mid market. This will be achieved utilising a comprehensive product range with such sophisticated funding arrangements as leveraged and acquisition finance as

well as the more traditional credit based products.

Applicants will preferably be graduates aged 24-30 with a sound training in corporate credit. In addition the successful candidate will possess an outgoing personality coupled with a strong desire to succeed in this exciting arena.

If you feel you can meet this challenge contact Niall Macnaughton or Mark Hartshorne on 01-831 2000 or write to them in strictest confidence at Michael Page City, 39-41 Parker Street, London WC2B 5LH.



Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Develop A Unique Role in Vendor Leasing Business Development Executive

The innovative and progressive sales and leasing subsidiary of one of the UK's most prestigious and successful investment banking groups is soon to launch a vendor programme with one of the foremost names in data systems and telecommunications. Its aim is to provide finance to key accounts, often involving complex multi-million pound transactions for major networks. As a result, there is a need to appoint a Business Development Executive to establish the company's presence in this field.

You will be responsible for the financial training of the key account salesmen and will assist them in developing specified accounts. A significant part of your role will be to accompany them on customer visits to market the venture's rental and financial packages as a sales aid tool.

Aged 25-35, you have substantial sales experience in the leasing sector, some of which has been gained in the high

technology market, and have a good grounding in all technical aspects of leasing transactions. You can demonstrate involvement in transactions of a substantial value, have the ability to develop long-term customer relationships and have the energy, enthusiasm and maturity to establish yourself as a principal member of the sales force. Strong in communication skills, you are highly experienced in negotiating at all levels.

You will command a competitive salary which reflects your high calibre, and the remuneration package includes a mortgage subsidy, bonus scheme and company car. As you will be joining this high profile venture in its infancy, future prospects are excellent.

In complete confidence, please telephone or write enclosing a full CV to: Keta Syms, Simpson Crowden Consultants Ltd, 97/99 Park Street, London W1Y 3HA. Telephone: 01-629 5909.

Simpson Crowden
CONSULTANTS

Senior Equity Dealers

Riada & Co.

Dublin

Riada & Co., one of Ireland's leading stockbrokers, is part of the international banking group Algemene Bank Nederland N.V. (ABN) whose total assets are in excess of £45 billion. The firm is currently enjoying rapid growth and now wishes to expand its Equity Dealing team.

Candidates, who should be highly

motivated and commercially orientated, must have relevant and responsible senior level experience in securities markets. Age indicator, 25/35. An exceptional remuneration package is envisaged. Those interested should please write - in confidence - to H W J Flannery quoting reference B.83506.

MSL International

MSL International,
49 Upper Mount Street, Dublin 2.
Offices in Europe, the Americas, Australasia and Asia Pacific.



CITY TECHNOLOGY COLLEGES TRUST

Project Directors

Countrywide £35,000 plus
Project Directors are now needed for the final eight City Technology Colleges to complete the network of 20 CTCs. Ideal applicants should possess a high degree of initiative, have senior management experience together with experience of supervising large building projects and a keen interest in education.

A substantial salary will be paid. Candidates currently earning less than £35,000 p.a. are unlikely to have the necessary qualifications.

Project Directors are required for schools in London, the West Country, the Midlands and the North West. Contracts will run for at least two years and responsibilities will include finding and purchasing suitable sites, supervising architects and builders, hiring key staff for the CTC, seeking additional local sponsorship and support, and all that is necessary to commission a new 1,000 pupil secondary school.

Please apply in writing, enclosing full c.v. to:

David Simons, City Technology Colleges Trust,
15 Young Street, London W8 5EH
Tel: 01 376 2511

Sumitomo Finance International

MULTICURRENCY BOND SALES

GERMANY SWITZERLAND AUSTRIA LUXEMBOURG

SFI, the international capital markets arm of The Sumitomo Bank Ltd, one of the world's largest banks, has grown substantially over the last few years and gained an outstanding reputation within the securities market. To facilitate the continuation of this expansion SFI has a requirement for a German speaker or German national, to work within their highly successful sales and trading team.

The role will encompass the sale of all fixed income and equity linked products in currencies ranging from US\$ to a variety of European, selling to a wide ranging German speaking client base.

The successful applicant will be an experienced, ambitious salesperson with an in-depth knowledge of these products.

Remuneration for the appointment will consist of salary, substantial performance related bonus and exceptional banking benefits.

Please contact Jane Almond or Ann Winder
on 01 623 1266 (office) or 01 586 7490 (evenings)

LONDON HONG KONG MIDDLE EAST SINGAPORE SYDNEY

Jonathan Wren

Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5238

FINANCIAL ACCOUNTANT £40,000

Prime quality name seeks a Head of Accounting to service the Bank's UK Management with overall control of the reporting functions. A graduate ACA sought, whose banking experience must include a broad understanding of both traditional and new commercial products combined with strong team management skills.

BUSINESS DEVELOPMENT MANAGER £35,000+
Triple A rated European Bank seeks a high-quality Corporate Banker to contribute to the Bank's strategy for new business acquisition. To successfully fulfil the role, you will need a strong marketing talent together with a formal credit training in addition to a competitive and proactive approach in a growth area.

CREDIT ANALYST £25,000
Due to plans for further involvement in MBOs, Acquisition and Project Finance, progressive European Bank seeks a young Credit Analyst to deal with UK and International Corporates. The successful candidate would have at least three years sound credit analysis experience together with the potential to become active in a Business Development role.

DEALERS £A&E
We have been retained by several major banks who seek young dealers with experience in any of the following markets: Foreign Exchange, Futures, Options, Equities, Bullion or SWAPS.

JOSLIN ROWE

21 Bedford St., London WC2R 3EJ. Tel: 01-625 0200. Fax: 01-625 0202.
RECRUITMENT CONSULTANTS

Merrill Lynch International & Co

Corporate Finance

Graduates with professional qualifications or investment banking experience who believe they can become outstanding members of Merrill Lynch's UK investment banking team should write to Kevan Watts, Merrill Lynch International & Co., Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LJ, enclosing details of their educational background and professional experience.

Merrill Lynch

FT LAW REPORTS

Capital duty assessment is correct

J. ROTHSCHILD HOLDINGS PLC v INLAND REVENUE COMMISSIONERS Court of Appeal Lord Justice Slade, Lord Justice Nourse and Lord Justice Byles (Slade) March 10 1989

Holdings had acquired almost all the RITN shares, and an order was made under section 206 of the Companies Act 1948 for compulsory acquisition of the remainder.

On January 1984 a return of allotments on form PFC 3 was made by Holdings to the Comptroller of Stamps, with an accompanying statutory declaration claiming exemption from capital duty.

The PFC 3 described the date of allotments as being "from December 19 1983 to January 16 1984." The allotments were shown in two columns.

Paragraph 10 of Schedule 19 to the Finance Act 1973 provides: "(1A) chargeable transaction shall be an exempt transaction for the purposes of section 47 of this Act if it is shown... (a) that... a capital company... (i) has acquired... capital of another capital company to the extent that, after the transaction, not less than 75 per cent of the issued share capital of that other company is beneficially owned by the first company."

The court held that the acquisition of the RITN shares by Holdings was a capital company acquisition within the meaning of section 47 of the Finance Act 1973. The court found that the exemption from capital duty was not available.

The court also considered the issue of whether the acquisition of the RITN shares by Holdings was a capital company acquisition within the meaning of section 47 of the Finance Act 1973.

On January 11 1985 the Stamp Office assessed capital duty at one per cent in respect of the RITN shares acquired on December 19. The claim amounted to £148m.

Paragraph 10 of Schedule 19 to the Finance Act 1973 provides: "(1A) chargeable transaction shall be an exempt transaction for the purposes of section 47 of this Act if it is shown... (a) that... a capital company... (i) has acquired... capital of another capital company to the extent that, after the transaction, not less than 75 per cent of the issued share capital of that other company is beneficially owned by the first company."

The court held that the acquisition of the RITN shares by Holdings was a capital company acquisition within the meaning of section 47 of the Finance Act 1973. The court found that the exemption from capital duty was not available.

The court also considered the issue of whether the acquisition of the RITN shares by Holdings was a capital company acquisition within the meaning of section 47 of the Finance Act 1973.

On December 19 1983 it was reported to a committee of Holdings directors that acceptances had been received in respect of 78.35 per cent of the Charterhouse shares, and 68.49 per cent of the RITN shares.

The directors passed resolutions declaring the offers unconditional and making allotments of Holdings shares. On January 16 1984 acceptances had been received in respect of 80.43 per cent of RITN shares.

Thereafter further acceptances were received and allotments made. By mid-June 1984

Thereafter further acceptances were received and allotments made. By mid-June 1984

Thereafter further acceptances were received and allotments made. By mid-June 1984

Handwritten note in Arabic: قرض الاموال

LETTERS

Committed to 1992

From Mr Fred Tuckman Sir, It is sad that Sir John Hoskins has so far failed to appreciate that success is built on public confidence, as well as on bricks and mortar. Sir John should use his talents to build, rather than destroy.

As to the alleged inadequate methods and weak management. The European Commission has been undertaking a job for an elected Parliament which has been in existence barely 10 years, for a Community of 260m, with a staff the size of Leicestershire County Council.

Flawed figures on the road

From Mr Stewart Whyte Sir, Mr David Hawkins's letter (March 6) on vehicle use allows his prejudices to get in the way of the facts.

In the first place, manufacturing capacity is an entirely different topic from the number of vehicles on the road. Obviously the two are linked, but only by a process which involves a considerable period of time.

Well being of radio frequency

From Mr G.H. David Sir, The current proposals to auction the radio frequency spectrum as reported by Hugo Dixon (20 February) are a matter of grave concern.

The radio frequency spectrum is a natural commodity and is not created by the Government, and once proliferated with spurious emissions cannot easily be cleared of these emissions in any practical period less than 10 years.

The current license income derived from this source is approximately £15m per annum and the speculation that an auction will contribute £1bn to the Treasury is therefore ludicrous, unless we are to be faced with a £,000 per cent increase in licensing fees.

The Foreign Secretary is likely to reduce rather than increase the current growth in the use of mobile radio.

Rachel Davies Barrister

Technical Data International EUROPEAN ANALYST. Technical Data International, a leading International Financial Services firm, is seeking a European Fixed Income analyst to join its ATLAS team.

CONSULT THE EXPERTS. Sales, market development, new product launching, direct & indirect advertising, image buildings, public relations.

FREELANCE JOURNALISTS. San Francisco-based institutional investment research team is looking for freelance journalists who work in London, Amsterdam, Paris or Milan.

EUROBOND BROKER. Small Company seeking to strengthen its sales team and future management. Candidates with necessary experience, probably aged 25-35.

COMPANY NOTICES. NOTICE IS HEREBY GIVEN that the shareholders of GT US SMALL COMPANIES FUND are entitled to a shareholders meeting on 15th December 1988.

R.A.T.P. ECU 40,000,000 - 10 7/8 % - 1994 / 1992. Bondholders are hereby notified that the R.A.T.P. has announced the following:

COMPANY NOTICES. NOTICE TO HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF PASCO CORPORATION. U.S.\$50,000,000 4% per cent. Guaranteed Notes due 1991.

COMPANY NOTICES. NOTICE TO HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF COMMON STOCK OF TAKASAGO THERMAL ENGINEERING CO., LTD. U.S.\$25,000,000 3% PER CENT GUARANTEED NOTES DUE 1994 WITH WARRANTS.

PERSONAL. PUBLIC SPEAKING Training and speech writing by award winning speaker. HOLIDAYS & TRAVEL.

THE BLOOMSBURY GROUP. JUNIOR ACCOUNT OFFICER C. £25,000 + Benefits. INSTITUTIONAL EQUITIES £ Excellent. L.B.O. FINANCING

COMMODITIES AND AGRICULTURE

Vietnam lures foreign explorers

John Elliott on the attractions of the country's virgin sea areas

A CONSORTIUM of Enterprise Oil of the UK and CEP of France is expected next month to become the fifth international group to sign oil exploration and production sharing agreements with Vietnam for offshore blocks in the South China Sea.



The Soviet Union has been exploring for oil since 1984 when it took over a field called White Tiger, which was discovered by Mobil of the US in the late 1970s, before Vietnam's invasion of Kampuchea brought the involvement of mobil and other western companies to an end.

Arbitration move in Statford dispute

By Steven Butler

A LAST ditch effort to reach a compromise over division of the giant Statford oil field among US and Norwegian partners has failed.

Higher Australian gold output forecast

By Kenneth Gooding in Canberra

AN UPBEAT view of the medium-term prospects for gold production in Australia was presented yesterday by the Bureau of Federal Resources, the research arm of the Australian Department of Primary Industries and Energy.

Copper retreat continues

By David Blackwell

COPPER PRICES continued to retreat on the London Metal Exchange yesterday, leading most of the other base metal contracts downwards.

Milk quota review fraught with problems

By Tim Dickson in Brussels

OF ALL the common agriculture policy reforms introduced over the last five years, the milk quota regime has probably been the most successful in limiting over-production and cutting the costs of the European Community's sprawling farm budget.

Studies, argues that a more limited allocation of quotas, combined with unrestricted EC milk production, would serve to give more weight to the social and rural development objectives which have become hallmarks of the new CAP.

Prices generally after 1992 would, according to his plan, be at market levels, but producers would receive an additional deficiency payment to bring total receipts on their quota up to a pre-set target price.

However, there is also a possibility that partners to the field could agree on a compromise solution before the consultant completes the work.

LONDON MARKETS

Table of London market prices for various commodities including oil, sugar, and metals.

COCOA 5000s

Table of cocoa prices with columns for Close, Previous, High/Low, and various contract types.

LONDON METAL EXCHANGE

Table of London metal exchange prices for various metals like aluminum, copper, and zinc.

POTATOES 5000s

Table of potato prices with columns for Close, Previous, High/Low, and contract details.

US MARKETS

Table of US market prices for commodities like soybeans, wheat, and corn.

WEEKLY METALS PRICES

Table of weekly metals prices for various metals including copper, nickel, and tin.

Chicago

Table of Chicago market prices for commodities like soybeans, wheat, and corn.

NEW YORK

Table of New York market prices for commodities like gold, silver, and platinum.

Small text at the bottom of the page providing additional information and disclaimers.

LONDON STOCK EXCHANGE

Chancellor pleases the equity market

THE UK Budget Speech from Mr Nigel Lawson, the Chancellor of the Exchequer, was received with widespread satisfaction...

session, providing the next significant target for the market forecasters. Mr Robin Aspinall, equity analyst at Schroder Securities...

unit trust involvement, were well received, although PEPs were not relatively marginal significance for the market. Also bullish for equities is the abolition of the "new issue queue"...

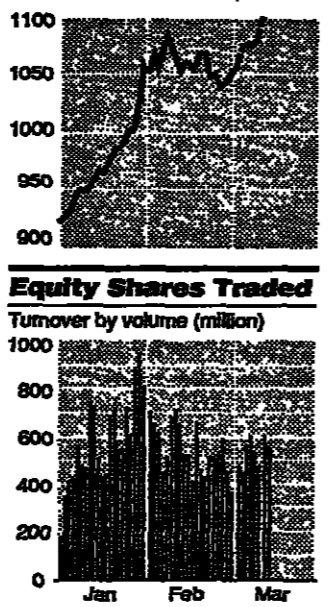
where the Prudential-Bache team added: "Interest rates will have to stay high" and that the inflation performance will prove the acid test over the next few months.

Rerating move for C & W

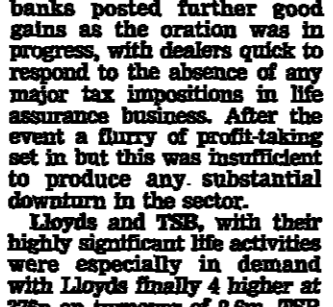
An otherwise strongly performing electronics and telephone networks arena was unsettled by a downgrading of Cable & Wireless...

Retrovir. They marked the stock down by more than 20 in tiny volume before the market opened. Trading picked up during the morning session...

FT-A All-Share Index



Equity Shares Traded



Commercial Union advanced 10 to 37p with the market registering surprise that Australian group Adtechem had increased its holding in the UK composite from around 10 per cent...

well supported ahead of the Chancellor's budget speech the banks posted further good gains as the oration was in progress, with dealers quick to respond to the absence of any major tax impositions in life assurance business.

response from the market where Sunbourse shares were some 2 higher. Substantial buying of Hawker Siddeley traded options sparked off a sustained rise in the shares.

Buying ahead of finals on Tuesday lifted Kalon 2 1/2 to 40 1/2. Business was brisk, most of it coming from brokers in the Midlands, where Kalon is based.

FINANCIAL TIMES STOCK INDICES table with columns for Mar 14, Mar 23, Mar 30, Apr 6, Apr 13, Apr 20, Apr 27, Apr 24, Apr 31, Apr 24, Apr 21, Apr 14, Apr 7, and Since Completion.

S.E. ACTIVITY table with columns for Mar 13 and Mar 10, listing various equity values and percentages.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for various major stocks including British Telecom, British Airways, and others.

Rosehaugh active. Speculation continued yesterday of Olympia & York (O&Y), the Canadian private company and developer of Canary Wharf...

Premier Brands decision to put itself up for sale at around £200m reflected well on Reckitt and Colman which bounded ahead in thin trading to 1150p...

Lloyds and TSB, with their highly significant life activities were especially in demand with Lloyds finally 4 higher at 37p on turnover of 2.8m.

The life sector is cheap. Sector leader Prudential raced up 8 1/2 to 179 1/2 while Legal & General jumped 15 to 212 1/2.

Stakehouse's sale of its 50 per cent stake in Savacentre to the J.Sainsbury group for £125m drew only a minor

erty sector inevitably direction attention towards Hammerson "A", 11 better at 810p, and Greycoats, which bounded 19 to 822p.

The unexpected kinder tax treatment for unit trust groups caused a late flurry of inquiry for M&G, which spurred to 341p before ending 12 dearer at 339p...

changes on taxation of unleaded petrol were said to be slightly mildly bullish for the big-two oil groups, BP and Shell.

NEW HIGHS AND LOWS FOR 1988/89

- List of new highs and lows for various companies including Anglo-Continental, Anglo-Continental, Anglo-Continental, etc.

NEW LOWS

- List of new lows for various companies including Anglo-Continental, Anglo-Continental, Anglo-Continental, etc.

Coalite managing director

Mr Brian Cooper has been appointed deputy managing director of the COALITE GROUP and will succeed Mr Peter Fowler...

general manager, London branch. He will be responsible for the treasury and capital markets departments.

MEADOWS, Mr David Mutton, and Mr John Sellers.

Holdings. He was purchasing director, and succeeds Mr Ray Shaw who has retired.

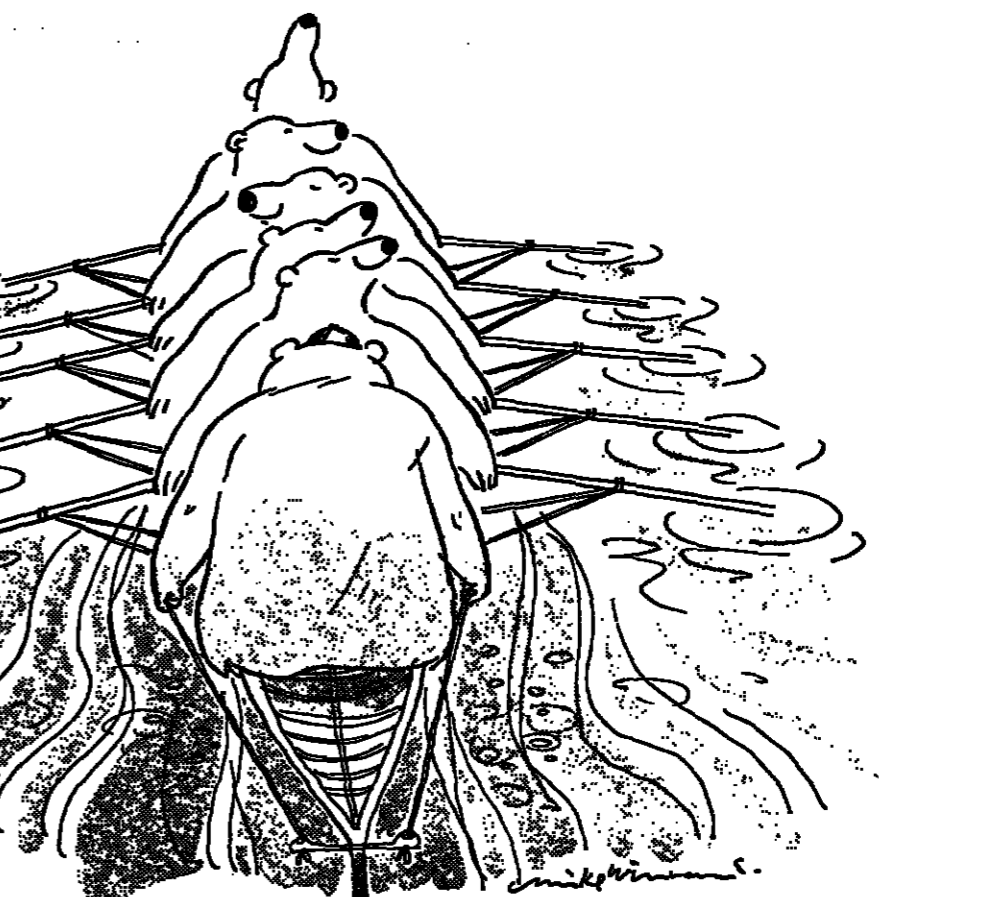
Mr Colin Richards, formerly divisional manager - taxation, Tarmac Industrial Products, has been financial director of FUTURA HOLDINGS.

Mr John Hall has joined GRANGES METALOCK BRITAIN as general manager of the newly-established UK subsidiary of Granges Metalock Sweden.

Mr Aidan O'Kelly has been appointed general manager for HERTZ UK. He was director of sales, Hertz Europe.

Mr Wayne Osman has joined B. ELLIOTT as chairman of the electrical engineering division. He will be appointed to the group executive board.

Mr John Willett, divisional corporate banking director, Midland Bank, will become chairman of AUTOSHREEN CAR VALETING SERVICES (UK), when he retires from the bank on March 31.



Teamwork has its rewards.

Advertisement for Bank Julius Baer, featuring the text 'Teamwork has its rewards.' and 'BANK JULIUS BAER For the Fine Art of Swiss Banking'.

APPOINTMENTS

Mr Paul Holt has been appointed chairman and chief executive of CAMBRIDGE INTERNATIONAL PARTNERS, a new corporate advisory partnership in New York...

CHESTERGATE GROUP has appointed Mr Philip Taylor as managing director of its new subsidiary, The Systems Maintenance Company.

Mr Robert G. Smith, chairman of Taylor Woodrow Construction, has been elected president of the BUILDING EMPLOYERS CONFEDERATION London region.

Mr John Davis has been appointed managing director of SEP FASTENERS, a subsidiary of SEP Industrial.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-325-2128

Handwritten note: "فكر احسن الاموال"

Main table listing various unit trusts with columns for company name, unit price, and other financial details. Includes sub-sections like 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

INSURANCES

Table listing insurance companies and their unit prices, including Abbey Life Assurance Co Ltd and others.

Main table of insurance unit trusts, including entries for Abbey Life Assurance Co Ltd, Abbey Life Assurance Co Ltd, and many others, with columns for company name, unit price, and other details.

Handwritten notes and scribbles at the bottom right corner of the page.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for MANAGEMENT SERVICES, OFFSHORE AND OVERSEAS, GUERNEY (ISB REGISTERED), LUXEMBOURG (ISB REGISTERED), SWITZERLAND (ISB REGISTERED), BERMUDA AUTHORISED, and JERSEY (ISB REGISTERED).

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FT UNIT TRUST INFORMATION SERVICE

Table containing FT Unit Trust Information Service data, including sections for ISLE OF MAN, OTHER OFFSHORE FUNDS, LUXEMBOURG, OFFSHORE INSURANCES, and various fund names with their respective performance metrics.

LONDON SHARE SERVICE

Table containing London Share Service data, including sections for BRITISH FUNDS, BRITISH FUNDS-Cont'd, AMERICANS, INT. BANK AND O'SEAS, CORPORATE LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table containing Money Market Trust Funds and Money Market Bank Accounts data, including various fund names and their performance metrics.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-625-2129

CANADIANS

Table of Canadian share prices including companies like Alcan, Inco, and Noranda.

BUILDING, TIMBER, ROADS - Contd

Table of share prices for building, timber, and roads sectors.

ELECTRICALS

Table of share prices for electrical companies.

ENGINEERING - Contd

Table of share prices for engineering companies.

INDUSTRIALS (Misc.) - Contd

Table of share prices for various industrial companies.

INDUSTRIALS (Misc.) - Contd

Table of share prices for various industrial companies.

BANKS, HP & LEASING

Table of share prices for banks, hire purchase, and leasing companies.

CHEMICALS, PLASTICS

Table of share prices for chemical and plastic companies.

FOOD, GROCERIES, ETC

Table of share prices for food and grocery companies.

Hire Purchase, Leasing, etc.

Table of share prices for hire purchase and leasing companies.

DRAPERY AND STORES

Table of share prices for drapery and store companies.

HOTELS AND CATERERS

Table of share prices for hotels and caterers.

BEERS, WINES & SPIRITS

Table of share prices for beer, wine, and spirit companies.

BUILDING, TIMBER, ROADS

Table of share prices for building, timber, and roads sectors.

INDUSTRIALS (Misc.)

Table of share prices for various industrial companies.

INSURANCES

Table of share prices for insurance companies.

ENGINEERING

Table of share prices for engineering companies.

LEISURE

Table of share prices for leisure companies.

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

Page 1 of 1

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling gathers strength

INITIAL REACTION to the UK Budget pushed sterling firmer in currency markets yesterday. Investors took heart from confirmation by Mr Nigel Lawson, the Chancellor, of the Government's determination to fight inflation by keeping domestic interest rates as high as is necessary.

Reserve. The dollar's underlying bullish tone was reinforced by comments from the Bundesbank suggesting that West German interest rates are high enough to control the rate of inflation.

from FF6.3250 and SF11.5500 compared with SF11.5565. On Bank of England figures, the dollar's exchange rate index fell from 67.8 to 67.7.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Country, Unit, and Rate. Includes entries for Belgium, France, Germany, Italy, Netherlands, etc.

STERLING INDEX

Table showing Sterling Index values for various countries and currencies like US Dollar, Canadian, etc.

CURRENCY RATES

Table of currency rates for Sterling, US Dollar, Canadian, etc.

CURRENCY MOVEMENTS

Table showing percentage changes in currency values for various countries.

OTHER CURRENCIES

Table listing exchange rates for currencies like Argentina, Australia, Brazil, etc.

MONEY MARKETS

London rates ease

WHOLESALE INTEREST RATES had a softer tone in London after Mr Nigel Lawson, the Chancellor, delivered his Budget statement. Any fears of higher bank base rates subsided, as the Chancellor took a cautious line, and sterling gained ground.

LONG GILT futures rose and short sterling futures were unchanged on Liffe in early reaction to yesterday's UK Budget.

Table of Liffe Long Gilt Futures Options with columns for Strike, Call, Put, etc.

LONG GILT FUTURES

Table of Long Gilt Futures with columns for Strike, Call, Put, etc.

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FINANCIAL FUTURES

Positive reaction on Liffe

LONG GILT futures rose and short sterling futures were unchanged on Liffe in early reaction to yesterday's UK Budget. Traders said it was a better Budget for the market than they had dared hope for, and were pleased with the generally cautious measures.

Volume in long gilt futures was low, at around 7,300 lots. The June contract finished at the day's peak of 98.12, compared with 98.01 on Monday, but the sharp rise in the cash market, following the Budget statement, indicates that futures will open much firmer.

LONG GILT FUTURES

Table of Long Gilt Futures Options with columns for Strike, Call, Put, etc.

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LONG GILT FUTURES

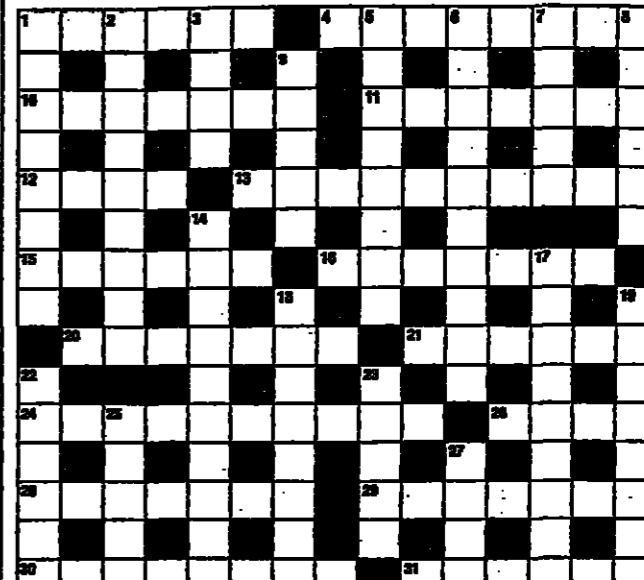
Table of Long Gilt Futures with columns for Strike, Call, Put, etc.

LONG GILT FUTURES

Table of Long Gilt Futures with columns for Strike, Call, Put, etc.

CROSSWORD

No.6,885 Set by VIXEN



- ACROSS
1 The drawback of soldiers surrounding a key sportsman (6)
4 Having no following, nevertheless (5,3)
10 Seethe about the person unused to driving faster (7)
11 One managed one with an Arab (7)
12 A portion of smoked American cheese (4)
13 Ted's worried about some guys in the division (10)
14 Occupying "X" by the river (6)
15 Set aside - may be reduced to cinders (7)
20 Move listlessly when one degree under (7)
21 Hit by industrial action? (6)
24 It offers a measure of seeing the Continent without a passport (10)
25 Abandoned socialist (4)
26 Old serving man giving vent maybe about times? (7)
28 Picture a Greek character accompanying 27 down (7)
30 The underworld looks after swells (3)
31 Copper getting mixed up with less correct old doctor (6)
DOWN
5 Ships' cooks carrying a gun (8)
6 Making some allowance for inflation (10)
7 A team's confidence in play - pity! (6)
8 Can turn up in the field - pity! (6)
9 Command of a religious body (5)
14 Stair never wobble from side to side (10)
17 Limestone can appear without a sound (3)
18 Given a little rise, as one observes, when experienced (3)
19 Horsemen (5)
22 Waited on right, few take issue about that (6)
23 A driver abroad (6)
25 Charges a painter put up (6)
27 A blockhead the French find skilful (4)
32 Appreciates compliments (3)
3 Side has long represented this country (5)
3 The 'deceiver of all things' (4)

JOTTER PAD - A small grid for notes or calculations.

EUROPEAN OPTIONS EXCHANGE - Table showing options data for various currencies and strikes.

PETLEY & CO LTD - Advertisement for a gold and silver business, including contact information and services.

MIKUN'S CREDIT RATINGS - Advertisement for a financial information service on Japanese corporate issuers.

FT LONDON INTERBANK FIXING

Table showing interbank fixing rates for 3 months and 6 months US dollars.

MONEY RATES

Table showing money rates for Treasury Bills and Bonds, including overnight, one month, and three month rates.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms like overnight, 7 days, one month, etc.

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Germany, Italy, Japan, New York, and others. Columns include stock names, prices, and changes.

Table of stock market data for various countries including Australia, Canada, Germany, Italy, Japan, New York, and others. Columns include stock names, prices, and changes.

Table of stock market data for Canada, listing various Canadian stocks and their performance.

Table of stock market indices for New York, Dow Jones, and other major indices.

Table of stock market data for Tokyo, listing Japanese stocks and their performance.

Advertisement for 'Have your FT Hand delivered' featuring contact information for Frankfurt (069) 7598-101.

Advertisement for 'Travelling on business in Germany?' listing various hotels and travel services.

4pm prices March 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Open	Close	Change	12 Month High	Low	Stock	Open	Close	Change	12 Month High	Low	Stock	Open	Close	Change	12 Month High	Low	Stock	Open	Close	Change
214	122	AAA	115.00	115.00		115	25	AAA	115.00	115.00		115	25	AAA	115.00	115.00		115	25	AAA	115.00	115.00	
125	65	AA	65.00	65.00		65	26	AA	65.00	65.00		65	26	AA	65.00	65.00		65	26	AA	65.00	65.00	
110	55	A	55.00	55.00		55	27	A	55.00	55.00		55	27	A	55.00	55.00		55	27	A	55.00	55.00	
105	45	B	45.00	45.00		45	28	B	45.00	45.00		45	28	B	45.00	45.00		45	28	B	45.00	45.00	
100	35	C	35.00	35.00		35	29	C	35.00	35.00		35	29	C	35.00	35.00		35	29	C	35.00	35.00	
95	25	D	25.00	25.00		25	30	D	25.00	25.00		25	30	D	25.00	25.00		25	30	D	25.00	25.00	
90	15	E	15.00	15.00		15	31	E	15.00	15.00		15	31	E	15.00	15.00		15	31	E	15.00	15.00	
85	5	F	5.00	5.00		5	32	F	5.00	5.00		5	32	F	5.00	5.00		5	32	F	5.00	5.00	
80	0	G	0.00	0.00		0	33	G	0.00	0.00		0	33	G	0.00	0.00		0	33	G	0.00	0.00	

Continued on Page 49

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NYSE COMPOSITE PRICES

OVER-THE-COUNTER

Needing national market, 3pm prices March 13

Table of NYSE Composite Prices listing various stocks and their prices.

Table of Over-the-Counter prices listing various stocks and their prices.

AMEX COMPOSITE PRICES

4pm prices March 13

Table of AMEX Composite Prices listing various stocks and their prices.

Table of Over-the-Counter prices listing various stocks and their prices.

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AMERICA

Caution restricts Dow movement

Wall Street

AFTER Monday's sharp rally, which was related to programmed stock index arbitrage, the equity market traded yesterday in a very tight range...

ness in car sales in the past few months had accounted for most of the decline in retail sales last month, and that non-durable goods buying was so concentrated in January...

planned by the Philadelphia and American Stock Exchanges and by the Chicago Board Options Exchange.

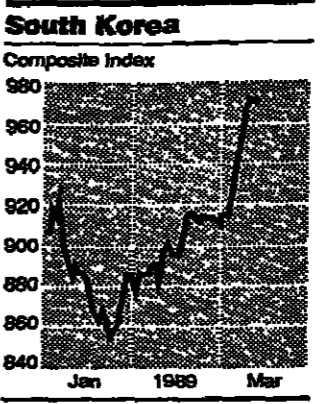
Japan. Merck added 3/4 to 35 1/2 in advance of a hearing at the Food and Drug Administration...

South Korean bulls defy the odds

Institutions are buying despite political chaos, writes Maggie Ford

TO THE delight of investors, the South Korean stock market has again begun to demonstrate its ability to deliver a bull run in defiance of all the indicators.

The rapid rise is expected to allow the market shortly to surge past the 1,000 level on the KSE index.



Companies and unions are still struggling to operate without legal or clear political guidelines. A number of companies have experienced prolonged strikes...

EUROPE

Frankfurt rises strongly after Bundesbank signal

A COMBINATION of corporate and financial news helped houses to end broadly higher across Europe, writes Our Markets Staff.

FRANKFURT climbed strongly as the Bundesbank again signalled its intention to cap short-term interest rates and a revival of foreign interest helped to swell turnover dramatically.

after a weak start as speculative interest in the bank sector and rumours of hefty government spending cuts and position-squaring on the peninsula...

ASIA PACIFIC Speculative buying helps Nikkei to advance

CHEAPER prices encouraged investors to renew the hunt for selected issues yesterday and shares posted strong gains, writes Michiko Nakamoto in Tokyo.

outperformed to iron out large discrepancies. Cross-trading enables funds to liquidate issues without driving the price down.

Mitsui Mining and Smelting was third most actively traded with 22m shares and firmed Y18 to Y17.5.

another thin day's trading, with the All Ordinaries index ending up 2.6 at 1,493.4 in turnover of 62m shares worth \$102m, helped by overseas interest.

The US trade figures today and the Australian balance of payments figures tomorrow continued to dampen trading.

FT-ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Monday March 13 1989, Friday March 10 1989, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. US, World Ex. UK, World Ex. Japan, and The World Index.

Advertisement for SmithKline Beckman Corporation, International Clinical Laboratories, Inc. Includes text: 'has acquired', 'Morgan Guaranty acted as financial advisor to SmithKline Beckman and dealer manager for the tender offer', and JPMorgan logos.

Advertisement for JPMorgan, featuring the JPMorgan logo and text: 'JPMorgan'.